

# Small Business Loans That are Easier to Get

By Daniel Lamaute

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When it comes to small business loans the majority of banks and financial institutions are out of step with the needs of the small business owners. They insist on tying their business loans to assets such as brick, mortar, and equipment. All the while, they ignore the fact that going forward businesses with the greatest potential for growth will be those whose real assets consist of the ideas, knowledge, and vision of the owners and employees.

It is no wonder that entrepreneurs en masse are dropping the conventional loan application routine for faster and easier alternatives. Financing alternatives such as credit card debts, home equity loans, and early withdrawals from IRAs have become a major source of financing for business start-up or expansion.

However, credit card loans and retirement savings withdrawals can be very costly if not handled strategically. For example, a strategy to access capital from your retirement funds may be to withdraw your money as a loan by setting up an Individual 401(k) plan. Otherwise, a large part of your retirement distribution may go to pay taxes and penalties.

Individual 401(k) plans with loan features first became available in 2002, as a result of changes in the tax law. The Individual 401(k) - also called a Solo 401k or Self-Employed 401(k) - is designed for small business owners without any employees other than a spouse. Individual 401(k) loans are generally easy to obtain, come with low interest, and are repaid to the borrower's account. Loans from a 401(k) plan are also free of tax and penalty as long as the loans are repaid.

You can borrow up to the lesser of \$50,000 or 50% of the balance in your Individual 401(k) account. You can also transfer without dollar limit the funds from your IRAs, 401(k), 403(b), or other retirement funds into your Individual 401(k) plan.

The Individual 401(k) is still new and not widely available. A search on Google will give you a list of Individual 401(k) or Self-Employed 401(k) plan providers.

Another financing alternative to consider is the SBA "low doc" program for loan amounts up to \$150,000. These loans can be used to start or expand a business. Business owners are expected to have good credit rating, but loans are not declined just because of inadequate collateral. For more information visit the SBA.gov website.

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Daniel Lamaute, <http://www.InvestSafe.com> . His firm assists individuals who want to invest or withdraw their retirement funds.

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