

## *How to Build Business Credit:*

*Starting a Small Business is probably the best, but hardest thing to do!*

*First step is planning and organization before you put in any MONEY!*

*Below are the details of How to Build Business Credit. For your convenience I have linked the SBA site directly for any questions you may have about the process.*

*If you find yourself stuck later and you need help or advice feel free to schedule a free 30 mins to Speak with us about what to include and how to start your business credit journey.*

*[Schedule your FREE consultation here!](#)*

Free information can also be accessed via the Dun And Bradstreet website [here](#).

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Building business credit plays a crucial role in your company's funding ability. Whether you operate as a limited liability company or corporation, your business has the ability to establish a credit file separate from you as an individual.

When you register a business (LLC, LLP or corporation) it becomes recognized as a separate legal entity with the ability to enter into contracts. It's treated as a separate being from you as an individual.

If you operate as a sole proprietorship, it's important to understand there is no legal or financial separation between you and your business. If that's the case, when you obtain credit or apply for funding, all activity will be solely tied to you as an individual and reflected on your personal credit reports.

To keep your business and personal finances separate, the first step is to start building credit in your company's name. If you want to build [business credit](#) quickly here are five simple steps.

### **Step 1 – Choose the Right Business Structure**

To make your business a distinct legal entity requires that you select a business structure such as an LLC, LLP or corporation. Remember, sole proprietorships do not create a separate business entity. Once you form your business entity, the next step is to register your business. This particular step is dependent on your structure and where your business is located.

For additional support on choosing the right structure for your company and registration be sure to check out [SBA's Business Guide](#).

### **Step 2 – Obtain a Federal Tax ID Number (EIN)**

You can apply for a federal tax ID for free using the [IRS assistance tool](#). This is a nine-digit number assigned to your company which you will use for things such as filing company tax returns, opening a business bank account, applying for licenses and permits, and applying for business credit.

### **Step 3 – Open a Business Bank Account**

Once you have your federal tax ID, you'll want to open a business bank account for your company. This is a mandatory step in creating a clear [separation between your business and personal](#) expenses.

Your banking relationships play an important role in your company's funding potential. Not only does your business bank account serve as a bank reference on credit applications, it also allows provides key data that lenders use during a funding review.

### **Step 4 – Establish Credit with Vendors/Suppliers Who Report**

One of the easiest ways to build business credit is to [apply for net terms](#) with vendors and suppliers. As you buy supplies, inventory, or other materials on credit, those purchases and payments get reported to business credit reporting agencies.

This activity creates your company's credit profile and [business credit report](#). After your company has several trade lines reporting, a business credit rating (score) is generated.

Remember, it's important to select vendors and suppliers that report to a business credit reporting agency. Each relationship you have also serves as a trade reference that can be used on future credit applications as well.

## Step 5 – Monitor Your Business Credit Reports

There are three major business credit reporting agencies so it's important to [monitor each of your company credit files](#). Each agency collects data from various sources and may have different information about your company.

The good news is each of the business credit agencies provide a way for you to update basic information about your business. If you uncover any outdated or incorrect information, you'll want to contact the agency to make the appropriate change.

With an established business credit report, you may get higher credit approvals, better interest rates and repayment terms on loans and lines of credit.

It's equally important to establish a diversity of accounts with other types of business credit such as a business credit card or line of credit. Let these five simple steps serve as a starting point to building business credit for your company.