



# Credit vs. Loans

Please take 5 minutes to consider the pros and cons of opening a line of credit from a bank versus securing a loan.

## Credit

### Pros:

- Improves cash flow and financial independence
- Only have to pay interest on the amount you've spent, not on the total amount of credit line
- Usually easier to qualify for a line of credit than for a commercial loan
- Easily accessible funds for emergencies
- Builds business credit

### Cons:

- Temptation to spend beyond ability to re-pay
- Potential for high interest rates
- Not best-suited for buying equipment or real estate
- Can become entangled with personal credit
- Deepening of debt

## Loans

### Pros:

- Lower interest rates than credit
- Fixed borrowed amount
- Better choice for making equipment, real estate and other significant purchases
- Potential for credit repair or improved credit score by paying off balance
- Availability for loans to be tailored to give advantages to small businesses

### Cons:

- Acquiring approval for a bank loan is more difficult than getting a business credit line
- If your business fails, it might be necessary to sell other assets to re-pay debt
- Acquiring a large amount of debt at once
- Not as flexible as credit; does not work to improve cash flow