

Financing Your PEP Business

Most new Nikken Wellness Consultants have never before started their own business. The idea of investing in your new business is critical to the success of your venture, but it is still scary. And most people don't have a lot of extra money just sitting around waiting for a place to invest.

Seasoned Wellness Consultants know that starting a business without an adequate group of demonstration products is a sure recipe for failure. And starting a PEP business model is no different. Our business is very product-centered. People will need to see and experience Nikken's energy technologies to truly understand them. Therefore, it is critical that new Consultants invest sufficiently if they want their business to succeed. It is really no different than any other business in this way. Imagine opening a shoe store with just two pairs of shoes and a catalogue. Only your mother would buy!

There is no magic formula for exactly how much to invest in your new business. To purchase every Nikken product would represent a \$7,000-\$9,000 expense at the start of 2009, a figure which will continue to increase as Nikken adds new products and technologies to the line. Most new Consultants cannot afford an investment this large at the start of their business, although progressively working toward a Nikken Certified Wellness Home over the next one to two years should be a target for serious Nikken Consultants.

Over the years, most leaders in this business have found that the realistic initial starting investment for most new Nikken Consultants should be \$500-\$5000. Experience shows that an ideal starting investment is \$1700.00 for a number of important business strategy considerations. However, even this level of initial investment is too much for many new Consultants. The PEP Program anticipates an initial investment of approximately \$900 in Month 1, with two follow-on investments of \$200 in Month 2 and 3. Under the PEP Program Business Outcomes Model, the new Consultant is projected to earn the additional cash flow required to internally fund follow-on investments as required in Months 4 and beyond. (See PEP Program Financial Model download at [www.](http://www.nikken.com))

Every businessperson knows that it takes money to make money. When you first become an entrepreneur, you must make the transition to think like a businessperson. As a businessperson, the new Consultant must figure out where to find the money needed to start the business, and then manage it prudently when it has been found.

Almost every serious businessperson in America borrows money to start his or her business. In fact, approximately 85% of businesses in this country are financed on a credit card. When the new Consultant does not have an independent source of financing for small early stage financing, the credit card is often the easiest, quickest and least expensive way to get started.

Business borrowing on a credit card is not the same as consumer spending and should be kept completely separate from a person's personal spending for discretionary purchases. We strongly urge, in fact, that the new Consultant obtain a separate business credit card for the PEP business and keep these expenses completely separate from personal purchases. This separation of business-related from personal expenses will be especially beneficial at tax time.

Once a decision has been made to finance a Nikken PEP business using a credit card, the mechanics of the transaction are quite simple. The Consultant must first establish a credit card account with a reputable credit card company. With a little research, the new Consultant can usually find a credit card company offering credit rates of 5% or less for the first six months, rising to 15-18% after the initiation period. Therefore, for purposes of our start-up plan, we will use an annual financing rate of 10% for the first year.

If possible, we recommend that the new Consultant obtains a credit card with a credit limit of \$2,000 - \$5,000 to begin. This will give the Consultant some extra operating fund capacity as the business begins. Under the PEP financing plan, the Consultant will be making purchases of just under \$1000 in Month 1 and an additional \$250 in Month 2 & 3.

Using an annual financing rate of 10%, and the initial 3-Month capitalization of approximately \$1500, the carrying cost of the loan will be +/- \$150/year. The "carrying cost" (credit rate) is the amount the bank will charge for the use of their money for one year, assuming that the credit card user leaves the entire \$1500 on the credit card for the entire year.

Following these financing assumptions, the carrying cost to you will be about \$12.50/month (\$150 divided by 12 months). Based on the terms of the Nikken payment plan for full Consultants, sales of approximately \$60 of retail Nikken product per month will therefore fund the debt you are carrying on your credit card (i.e. one box of PowerPatches or one pair of Magsteps per month). If you sell more, a savvy Nikken Consultant will use a portion of their profit to continue to invest in additional Nikken demonstration products and the balance to begin to reduce the \$1500 debt. If the new Consultant is following the PEP program as written and growing their business as projected, it is entirely reasonable to project that the Consultant will be able to work off the entire principal on the credit card within the first six months, leaving a business that is entirely debt-free.

Please note that each new Consultant is ultimately responsible for any level of debt taken on, just like in any other business. If you choose this method of financing for your business, but decide later that Nikken is not for you, you may sell the demonstration product you have purchased from Nikken, and use the proceeds to reduce or entirely eliminate your credit card debt. Any additional unpaid debt will remain your responsibility.

In the end, your PEP business will succeed based on your willingness to learn the business and to accept some risk. People often start a business on a shoestring, and then fail to create real interest with their prospective buyers simply because they lack sufficient demonstration products. As demonstrated above, this is usually not necessary.

We recommend that you first decide that you are serious about starting a business and will give it your active effort. Once this crucial decision is made, we recommend that you treat your new PEP business like a business and give it the life-blood it needs to create success. The life-blood in the PEP Program is the PowerPatches, the additional demonstration products and the sales tools required to generate curiosity and interest. As demonstrated in this financing model, the means to properly fund this life-blood is within the grasp of anyone who is seriously interested in building a real business, and who is willing to risk on themselves.

You can do this! It is the road to a business of your dreams. Ask your sponsor to help you get started.