1. What Can I Spend My EIDL Funds On? | Everything You Need to Know - YouTube

<https://www.youtube.com/watch?v=i-V4BbbZ2cc>

Transcript:

hey everyone this is brennan from bench back with another video this time i'm going to be talking about the permissible uses of the eidl loan now you may have already received your loan if not you can still apply the applications reopen to all eligible small businesses on june 15th we actually have a walk-through video for the whole application goes line by line and tells you all the details that you need to fill out but just as a quick reminder when you apply for an eidl loan you also apply for an advanced grant which is going to

be just a tax-free grant for your business that you can use right away as a quick injection of capital so highly suggest checking out that video but in the meantime for those of you that have received your idle funds and now you're looking at some of the restrictions around them let's demystify all of the different use cases and start to dig into the nitty gritty of what can you use it on but more importantly what can't you use these loan funds for now i just wanted to take a minute to quickly address the background

information of the idle program itself because i believe there's this misunderstanding that it was only created due to the pandemic and the recession due to covet that's actually not the case this was a program that was in place by the sba prior to the pandemic to address any areas that were affected by natural disaster in light of the pandemic this has been expanded to obviously be applicable to all states it seems that all states were affected by this economic recession so the purpose of the program was to

essentially sustain businesses over a period of affected economic injury something where business operations were threatened and cannot continue in the way that they were in the status quo as this is the case the eidl is intended to be working capital which is to say it's intended to cover day-to-day expenses covering things like rent utilities your monthly recurring expenses things like that so let's dig into this definition of working capital because working capital is what's available to be spent on inventory

operating expenses short-term debt things like credit cards and loan payments your monthly recurring bills are a great example of this as i mentioned before things like rents and utilities so essentially anything that you need for your day-to-day operations uh to run your business is considered a permissible use of eidl funds however because it's so robust in what it can cover in all of the expenses that are permissible it's more important to be aware of what you can't use your eidl funds that's going to be the better

information to equip yourself with so what are these expenses that you can't use your eidl funds on well for starters there's dividends and bonuses disbursement to owners which would be any draws or distributions repayment of stockholder or principal loans expansion of facilities or acquisition of fixed assets which you can consider like purchasing new equipment new manufacturing equipment the repair or replacement of physical damages refinancing long-term debt so for instance if you had ten thousand dollars

outstanding on a loan you would not be able to pay down that balance in full paying down federal loans from the sba or other federal agencies or relocation those are the explicit expenses that are not a permissible use of the eidl funds of those i really want to highlight two of them the first is that do not refinance a long-term debt maintaining your monthly payments is fine but paying down an entire balance or a large amount of the balance is when it becomes not permissible think of it as trying to maintain that

status quo trying to keep up with your usual operations so you can make monthly payments to your loan you can make your monthly payments to your credit card but you can't pay down that balance in full at that point it is going to be considered refinancing the second one that i want to touch on is do not acquire capitalized assets so don't go buying a new vehicle to do deliveries or a new piece of equipment use that 2500 limit that's usually when something is eligible to be capitalized on the balance sheet

the sba essentially does not want these funds to be used to add assets to the business and once something is a capitalized asset it's on the balance sheet as an asset so ensure that you're avoiding those activities ensure that you're not acquiring these fixed assets and ensure that you're not refinancing long-term debts try to use that 2500 limit when you're looking to buy something new and try to just maintain your monthly payments as they are that being said you also have access to the eidl advance on your application

to the loan and if you've opted into it you've probably received an amount of up to ten thousand dollars of approximately one thousand dollars per employee this is so much more relaxed on the restrictions because it is a grant it's not a loan there is no liability and there's no real promise on your part that you're gonna use it for an intended purpose whereas when you signed the acceptance letter for the eidl loan you consented and verified that it was going to be used for the intended purposes

and you aren't going to be using it for any of those outlines in permissible expenses so the eidl advance has a lot less restrictions you're totally free to use it however you deem is best to sustain your business now the last question i want to address is something that you may be thinking okay so i know what i can't use my eid loans for but how am i supposed to track this how am i supposed to stay on top of this now a question that might be popping up for you now is okay so i know what i can and can't use my eidl for

but how am i supposed to track that how am i supposed to stay on top of that the best practice in any case whether it be a grant or a loan that has restricted usage is to have a dedicated bank account for those funds it could be a brand new bank account that you open solely for those funds or it could be a low activity bank account that just you're not using very frequently so you're not going to get any crossed wires or misusage that way if anybody is going to follow up with you and how you use the grant of

the loan in this case your eidl you're going to have a complete transaction history of everything that you used it on not to mention you're also going to be able to track the balance of the funds that you've been using in that bank account balance so ultimately this is going to make all of your activity everything that you've spent that loan for available on your bank statements and online via their portal so there you have it a very brief overview of what you can and can't use your eidl funds for

ensure you're being mindful and avoiding those impermissible uses as you did verify that you would not use the loan funds for those purposes and try to have some sort of system in place for tracking it whether it be putting in its own separate bank account or just tracking the separate transactions that are eligible uses of those funds just to make sure that you're tracking how much of it you've already spent anyways i hope that helps and i hope i get to see you again with another update that keeps you informed on how to use

these sba relief programs to the best of your ability beyond that please follow us on twitter we're at bench we're going to be posting any updates that we have there and subscribe to our youtube channel where we will be posting informative videos such as walkthroughs on applications and information like this as frequently as we can hope to see you again soon