Debt vs Equity Comparison

	Debt Financing	Equity Financing
Pros	The lender does not have a claim to the company's equity, so getting a loan will not dilute the owner's stake in the company.	The business owner doesn't have to worry about the interest and covenants that are typical of business loans.
	You control how the funds gets used. The lender could present some restrictions, but typically has no say in the way you run your business.	Investors generally take a long-term view. As such, they don't expect a return on investment immediately.
	The principal and interest are usually set amounts that you can build into your cash flow forecast and prepare for, except in the case of variable-rate loans.	You won't need to channel any profits into debt payments, which means there will be more cash available to fuel your company's growth.
	As long as you take out a business loan (not a personal one), you can include the interest rate you pay in your company's tax deductions.	You can forge strong and beneficial relationships with equity investors. Investors can give you exposure to their networks of industry connections and can be a great source of experience, counsel, and insight.
	If your company has a strong financial history, you can borrow the money you need relatively quickly.	
Cons	A big factor to consider is the capital requirements of debt financing. Since you must make regular payments, debt will affect your cash flow. If this will inhibit your ability to grow, debt may not be a sensible option for you.	Since equity investors expect to receive ownership shares of the company in return for their investment, you must be willing to dilute your own shares and give up some control. This is a big call to make.
	If you end up with too much debt on your balance sheet, it's possible you'll be seen as "high risk" by potential investors. This, in turn, can hinder your ability to raise capital via equity financing in the future.	Along with sharing control, you'll also be sharing profits.
	The company's assets could be held in collateral to the lender.	You will likely have to consult with investors before making certain business decisions. This can slow you down and create the potential for disagreements.
		The process for raising equity financing is usually more involved, expensive, and time consuming than taking out a loan.

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