



BUSINESS **STARTUP** BLUEPRINT

COMMON FUNDING SOURCES FOR SMALL BUSINESSES

STEP 2 REGISTRATION AND FINANCING **WORKSHEET**



There are a lot of ways to secure funding for a new small business. The right ones for you will depend on your financial situation, your personal network, and how much funding you need.

I discussed several financing options in the lesson. In this resource, you can review those options to identify which ones are the right choice for you.

Step 1: Personal savings or assets.

If you have money set aside, that may be enough to get your business up and running on its own, depending on the type of business you're starting and how much you have saved.

Other potential sources of personal funds include:

- Retirement accounts like a 401(k)
- Investment products like stocks, bonds, and mutual funds
- Real estate equity loans
- Cash value insurance policies

Consider what personal funds you may be able to invest in the business, and write those in the space below:

Step 2: Family, friends, and business partners.

If you are going into business with a partner, they may have personal financial resources they can bring to the table. You can also reach out to your friends and family to see what financial resources they might be willing to invest into your business.

These investments can take the form of a gift or a loan that you pay back over time. You can also consider offering equity financing, which is where you exchange part ownership in the business for an initial financial investment.

Think about people in your personal network who may be able and willing to invest in your business, and write them in the space below:

Step 3: Small business loans.

This is one of the most common ways entrepreneurs secure funding for a new business. Many business-friendly banks and credit unions have designated loan categories designed for small business startups.

As a brand-new business, your personal financial health will determine what loans and terms are available to you. This can be a great option for individuals with a high credit score and strong credit history, but others may have a hard time getting approved (or get saddled with higher interest rates).

Some places to look for small business loans include:

- **National Business Capital** - This financing marketplace for entrepreneurs lets you search for and compare lenders, or combine lending options to meet your funding needs.
- **Small Business Administration** - The SBA sets guidelines to reduce lender risk, opening the path for more entrepreneurs to secure funding. SBA loans often offer lower monthly payments and more flexibility than other small business lending options.
- **PayPal loans** - PayPal offers fixed-term small business loans in amounts ranging from \$5,000 to \$100,000, and you can often get those funds faster than through other lending options.
- Your personal or business bank - If you have an existing relationship with a financial institution, this may open up more financing options. Meet with a banker to find out what kind of business loans your financial institution offers.

Use the space below to take notes on the financing options you may want to explore and what loan amounts and terms they offer:

Step 4: Venture capitalists and angel investors.

People you know aren't the only ones who might want to invest in your business. Venture capitalists are private investment firms that give capital to businesses with growth potential in an equity financing arrangement. Angel investors are individuals that do the same thing but with their own money.

Because they are looking for a return on their investment, venture capitalists and angel investors will likely want to see a growth plan in place before they dole out funding. Others are mission-driven and look to invest in companies that promote specific values like sustainability, equality, or community development.

If you're considering venture capital or angel investor funding, you can start your search online using sites like:

- **AngelList** - A platform to connect investors with business owners
 - **Visible Connect** - A database of investors built by entrepreneurs, for entrepreneurs
 - **National Venture Capital Association** - A non-profit membership group for venture capitalists and entrepreneurs
- to \$100,000, and you can often get those funds faster than through other lending options.
- **LinkedIn** - Not specific to funding, the largest professional social media network and can be an effective way to connect with potential investors

You can use the space below to jot down the potential investors you find during your search.

Step 5: Crowdfunding.

Crowdfunding platforms allow you to pre-sell products and services to potential future customers and use those funds to start the business.

Most crowdfunding platforms have specific rules about the types of businesses that can fundraise through their site, so make sure you read their rules and policies carefully before you pursue this option.

Some popular crowdfunding sites include:

- **SeedInvest** - An equity crowdfunding platform, SeedInvest differs from other crowdfunding sites in that its backers are investors instead of consumers. It's most popular among tech companies but is open to businesses in any sector.
- **WeFunder** - Similar to SeedInvest, the backers on WeFunder are investors who receive equity rather than products or memberships.
- **GoGetFunding** - This platform is similar to GoFundMe in that it's mostly targeted at personal projects. However, it's not limited to that scope and can be used by entrepreneurs, as well. It also offers features other sites don't, like having an ongoing funding campaign without a specific deadline, or withdrawing funds before you've completed the campaign.

Use the space below to jot down notes on the crowdfunding platforms that could be useful for you and what kind of campaign you'll run through them:

There are a lot of different ways to raise funds for a new business. The complicated part is often not finding potential funding but deciding which sources are the best fit for your business.

Talking to a mentor, financial advisor, or other business owners can be a big help in figuring that out (another good reason to swing by the [**Founders Community!**](#))