



7 Ways to Get Funding for Your Business Idea

White paper



Whether you're starting a brick-and-mortar business, an online store, or a combination of both, becoming an entrepreneur is exciting. It can also be expensive. Getting a new business off the ground often costs more than people anticipate, and there are almost always unforeseen expenses that pop up. The following are seven ways you can get funding for your business idea.



Take Out Loans

Taking out a traditional bank loan is probably one of the first ways people think of when it comes to raising money for a new business. There are lots of different business loans available. A few include small business loans, short term loans, commercial real estate loans, and micro loans.



Pool Your Personal Funds

Scraping together your own personal funds is sometimes referred to as bootstrapping. This would include using money from your savings account, withdrawing from an IRA, or using any home equity you might have. You might decide to use a combination of loans and personal finances. Since many startups are totally, or at least partially, self-funded, it's also important to learn to do as much as you can yourself. This might include marketing, sales, and dealing with legal issues yourself. You can also barter or trade services with other business owners if there are areas you have zero expertise but can't afford to hire for.



Consider Family and Friends

If a traditional business loan is not something that will work for you, and you don't have a lot of personal finances, there are other options. The first place to consider is borrowing from family or friends. Borrowing from those closest to you is sometimes a bit tricky and not for everyone, but you might be surprised by who'll want to invest in your new business venture. Make sure to have a business plan ready to show them you're serious about making the business a success.



Look to Angel Investors

Angel investors are often established business owners who want to invest in promising startups. These types of investors might put in anywhere from a few thousand to a million or more. There are actually websites and social media platforms that list different angel investors. SeedInvest, Tech Coast Angels, and Angel Investment Network Blog are a few you might want to look into.



Use Private Equity

Private equity is an investment made into a company that's not publicly traded. Advantages of private equity usually include lower interest rates than bank loans and the use of unorthodox strategies that meet the needs of each specific new business. A private equity firm can give your new venture as little as a few thousand dollars to potentially millions. Private equity firms are looking for a wide range of business startups that have serious growth potential.



Try Alternative Funding

Alternative funding is often used when you need smaller amounts of money, normally less than \$5,000. This would be considered a micro-loan. Traditional banks don't often provide these types of business loans, that's why they fall under the category of alternative funding. It's important to note that micro-loans usually have higher interest rates than traditional loans. Other types of alternative funding would include crowd-funding sites such as Kickstarter.



Look into Venture Capital

If you need more than \$1million you might want to look into venture capital. Venture capital normally comes from investors and investment banks with deep pockets. They will usually require a sound business plan and will expect a return of 3 to even 10 times their initial investment. Before investing in your business, a venture capitalist might conduct an investigation into your products, services, and other aspects of your potential business. An exit strategy will need to be part of the overall business plan. This will determine when the investor gets a return on the investment and the business owner is financially independent.

Finding the right source of funding is crucial to building a successful business. You'll need to do your research to make sure you find the best type of funding source for your particular venture.

