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BECOME BUSY

TRAINING EDUCATIONAL MATERIAL

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START-UPS' ACCESS TO FINANCIAL RESOURCES

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A.PERSONAL INVESTMENT

Starting your own business entails putting something you own in it. Not being willing to invest in yourself indicates that you don't believe this new business effort can succeed.

A personal investment equals, most of the time, the provision of part of your savings and other assets

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B. FAMILY AND FRIENDS

Another source of business funding is a loan from a family member: friends, parents, spouse etc. Choosing to take a family loan (in banker's language, "patient capital") is not that simple since:

- the family members might want equity in your business
- the family members sometimes may not have the capital needed to start the business

Always remember that business relationships with family must be taken seriously and that if something goes wrong, being unable to repay these people once the business becomes profitable will generate unpleasant feelings.

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C. SMALL BUSINESS ASSOCIATION MICROLOANS

The Small Business Association (SBA) Microloan Program collaborates with intermediary, non-profit and community-based lenders, providing potential borrowers with 500.000 – 50.000 K dollars.

Interest rates of these loans vary between 8 and 13 per cent with a term length of a maximum of 6 years.

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D. BANK LOANS

A good track record in business and great credit are some of the basic requirements you must fill in to get a bank loan. Considering this, getting a bank loan is not the most suitable choice for newborn businesses with no previous experience.

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E. INCUBATORS

Incubators, among other resources, provide the cash needed for businesses to operate. Due to their ties with investor networks, incubators can finance a new business attempt, recognising its potential.

Some incubators require an equity stake in the start-up, but others typically work on a fee basis.

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F. ANGEL INVESTORS

Angel Investors is a term that defines wealthy private investors that mainly finance small business ventures in exchange for equity.

What distinguishes Angel Investors from venture capital firms is that they use their own net worth.

PROS OF ANGEL INVESTORS

- Angel Investors do not demand repayment of the funds they invested in the start-up but, in exchange, require the provision of ownership shares.
- Since angel money is on the line, they are genuinely willing to assist you to succeed through mentoring or other means.

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CONS OF ANGEL INVESTORS

- Angel Investor demand typically 10% - 50% of the company in exchange for funding. This fact entails the danger for business owners of losing control of their business if the company fails. Hence, it is crucial to think about how much equity you want to give away to a potential investor.

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SOURCES OF ANGEL INVESTING

The choice of "Angel Investors" as a start-up funding resource is becoming increasingly popular among nascent entrepreneurs. It is worth saying that 2020 was the first time that angel-funded businesses were in the seed and start-up stages.

So, how can business owners approach angel investors?

- Angel List: An online platform that helps entrepreneurs to find investors
- Angel Investment Network: An online network having over 279.000 investors. You can create your profile and promote your business if you are a business owner. On the other hand, if you are an interested angel, you can invest.
- LinkedIn: This king of professional social networks can serve as a direct way of connection between business owners and angel investors.
- Local business groups or schools: Business schools or organisations can connect business owners with angel investors. If you are searching for an angel investor, don't hesitate to check business schools and organisations in your area!

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