

How To Fund Your Business

Where can you find the funding you need to start and grow your business?

Funding is a critical part of launching, growing, and keeping a business running. The big question most have is “where do I find it?”

There are a several different stages at which a business needs money. The best sources of finance and capital can vary at these points. Check them out...

Startup Financing

Friends & Family

While it may not always feel like the most appealing option, it can be one of the easiest and fastest ways to raise your initial funding to get started. It can cost a lot less than any other type of finance. Plus, if you believe strongly in what you are doing, then these are the people you will most want to enjoy the rewards alongside you.

Credit Cards

Credit cards are a highly controversial way to finance a business startup. Typically interest rates are high, and your personal credit is on the line. However, if you've already started your business, you may be able to get some small business credit cards. Or you may find low interest or attractive balance transfer options, which can work for a very short period of time, if you are confident in money coming in quickly.

Lines of Credit

If your credit is good, or you have some savings on deposit, then a local banker may grant you a flexible line of credit to use as you wish.

HELOCs

Those who really believe strongly in their new ventures may even consider a home equity line of credit (HELOC). A line of credit can be used, and quickly paid back once income comes in. This can be a fast and low cost method of financing. However, if you are putting your personal residence up as collateral, you can lose it, if you don't pay it back on time.

Angel Investors

Angel investors can be a great source of funding for those looking to launch a sizable venture. They will often invest equity or loan when others won't. This is also one of the first steps for

those hoping to raise more money via venture capital later. Though they will typically also like to see you have raised money from friends and family first, and a good pitch deck.

Mortgage Lenders

If this is a real estate business, the easiest form of financing may just be getting a mortgage loan to make acquisitions and property improvements.

Money to Grow Your Business

If your business has already been up and running for a little while you may have a variety of additional options for financing and raising capital.

Working Capital Loans

A variety of new lenders have popped up to offer small businesses working capital loans. These are often fixed rate loans for short periods of time. Interest rates can vary widely. These lenders include the likes of LendingClub.

Merchant Advances

If you accept credit cards or online payments, then sources like Kabbage will provide advances against future revenues based on your past income. This is typically based on a percentage of your business income, and repayments are often directly deducted from your incoming payments. This can provide extra flexibility in that you only make repayments when cash is coming in.

Lines of Credit

Secured and unsecured business lines of credit can be powerful finance tools for taking advantage of opportunities as they arise, and filling in for cash flow gaps when the unexpected happens. These can be based on credit and income only, or on equipment or other assets you may have.

Partners

If what you are doing is working, then you should find no shortage of people, or even other businesses who want to partner with you. That could be trading a partnership position for equity, or creating joint ventures.

Real Estate Financing

If you have a real estate business, or your business owns or is acquiring real estate, then new sources of funding can be opened up to you.

SBA Loans

While Small Business Association (SBA) loans can be more work to apply for, they can offer attractive terms for those who qualify. Talk to a business loan or mortgage broker, and they can tell you if this may be a good fit.

Blanket Mortgages

If you have some real estate assets already, a blanket mortgage loan can streamline your financing, and may help to free up more captive equity, which can be used to expand and grow.

Private Money

Aside from banks, hedge funds, and mortgage lenders, there are also thousands of Americans who have capital they need to invest. They need better returns than they can find from bank savings accounts, bonds, and CDs, yet more safety than the stock market can provide. You can provide the ideal solution for them, and tap into this capital on good terms, and with plenty of flexibility.

Funding for Going Bigger

Want to go even bigger?

VC Money

If you've got a great business then venture capital firms can be a source of big chunks of money and financing. You'll need a good pitch deck, and they will want to see how you've done a proving your idea, and raising earlier rounds of financing from friends and family, and angel investors, but there is big money to be had here. Plus, the benefit of having some real heavy weights helping you grow.

Create Your Own Fund

Funds are actively looking to put their capital to work in businesses that are working, but you can also start your own fund. It can require a sizable investment, and a new level of learning, but it can be a great way to expand your ability to advertise and attract funds.

Start Your Own REIT

While hedge funds and crowdfunding may be more trendy these days, REITs (real estate investment trusts) are still great vehicles for raising more to be invested in real estate. They work a little differently to your average LLC, but they have advantages too. Know all your options.

Crowdfunding

Either starting your own crowdfunding platform, or leveraging an existing one can be a fantastic way of raising money from the crowd. This can be via equity or debt, and for a business, or specific asset or investment venture. It can cost money, but done right, it can also carry other benefits, like PR and visibility.

How will you fund it?

Black Belt Investors