



# CAPITAL, WHAT IS IT?

Wealth in the form of money or other assets owned by a person or organisation or available for a purpose such as starting a company or investing.

# CAPITAL, HOW DO I RAISE IT?

Raising capital can sometimes be a business necessity in order to move forward and grow. Most of the time when a business goes bust in the first few years it isn't because of lack of sales or interest, it is usually cashflow. Initial set up costs can be underestimated and there are always those unaccounted costs that pop up.

**Some of the ways to raising capital for your business are the following:**

## CROWDFUNDING

You can use the power of the internet to convey your message about your idea or business. Crowdfunding sites like GoFundMe have become increasingly popular with inventors, entrepreneurs, and the general public in recent years. They are relatively easy to use and set up, they are a great tool to be able to reach people from all over the world.

Friends and family can also be a good resource to contribute to your crowdfunding efforts or borrow from them directly. People you know are often the best and safest way to raise money. Not only will they be more open to your proposal, but they have also likely seen your effort and dedication. Remember when borrowing from friends and family ensure the correct documentation is in place so all parties are protected. When using a crowd funding platform remember you are asking people to invest in a new business or idea so your story telling needs to be strong, clear and concise with a clear call to action.

# ANGEL INVESTORS

Angel investors provide capital for a business start-up in exchange for a loan agreement or ownership equity. Companies like Google and Yahoo, were funded by "angels." If you are looking for a way to raise money for a business that already shows signs of growth? Angel investors are a favourable option. They are usually loaning this money with a little to nil interest rate or borrowing fees. Payment to your angel investor may look like shares in your company or advertising.

# VENTURE CAPITALISTS

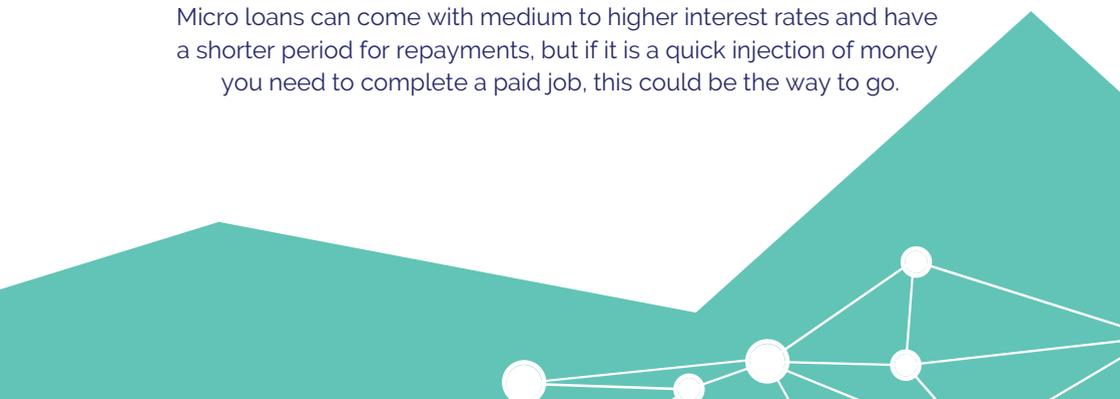
Like angel investors, venture capitalists provide capital to start-ups, early-stage, and emerging companies that show high growth potential. The main difference is they are generally providing finance that often has higher rates of return instead of taking a share of the company. In some cases they may take an ownership share of the company. Both Angel investors and venture capitalists are a way to avoid banks, keeping in mind your sales pitch will need to be strong and so will your networks, as these people are sometimes friends of friends.

# BOOTSTRAPPING

Sometimes the best person to back you is you! If you don't want to give up any form of ownership or independence, bootstrapping is the best option to raise money for a business. This involves using your own resources. This may mean pulling from your savings or taking out a mortgage on your assets. Sometimes you don't need to fully finance the capital you need to raise from bootstrapping, however if people see you are putting your own dollars in then that can be more appealing at times for investors.

# MICRO LOANS

Micro loans can come with medium to higher interest rates and have a shorter period for repayments, but if it is a quick injection of money you need to complete a paid job, this could be the way to go.





## SMALL BUSINESS ADMINISTRATION (SBA)

Both state & federal governments will have a grants program you can apply to. Keeping in mind there are usually strict criteria that needs to be met.

Some of these grants aren't a straight forward loan, sometimes they match dollar for dollar on what you are willing to put in. This can sometimes be a very lengthy and competitive way of getting money, so ensure the grant you are applying for applies to you and your business. Another way of raising money for a business through government assistance is through SBA lending. However, it's important to note that interest rates are slightly higher than most banks.

## HOW TO RAISE FUNDS FOR A BUSINESS THAT IS GROWING?

If you're looking for how to raise money for business growth, explore the following options:



### PRODUCT PRE-SALES

Offering your customers the option to pre-order products before they launch or hit the shelves is a great way of generating much needed cashflow but also excitement. This raises the money needed to fulfil these orders, but it also offers companies a way to gauge the demand for their product.

# PURCHASE ORDER FINANCING

Purchase order financing is a great way for businesses that have large product orders coming in regularly but not enough cashflow to cover the production of products until the payment from the customer comes through.

This is how it works:

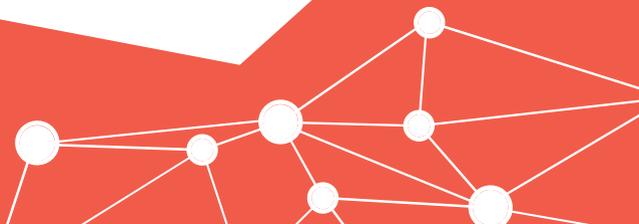
- A purchase order financing company will pay your supplier the cost to produce the product.
- When the product is made and shipped to your customer, your business then invoices the customer and receives payment. That payment is then used to pay back the purchase order financing company. It's not the most economical way to borrow money, but it can be an option if you don't qualify for any other finance.

# STRATEGIC PARTNERS

Strategic partners are the people who are supporting your business currently. These can be suppliers, distributors, and customers. While it may not be direct funding, getting credit from your supply chain can help supplement your budget until your business is in a good place financially. Try and negotiate the shortest terms for payment and the longest terms for credit this will generate your cashflow.

# INCUBATOR PROGRAMS

Business incubators are programs created to provide new businesses access to the resources they require to grow. While not usually in the form of money they will give you insight and access to mentorship, network establishment, and relevant entrepreneurship training.





# TIPS TO REMEMBER

## **Always practice due diligence**

No matter what form of fundraising you do, always make sure you practice due diligence to ensure you are not getting the raw end of the deal. This is especially so with financing, venture capitalists, or angel investors. Also remember you need to pay this back and what time frame you are agreeing to, is this achievable for you?

## **Ensure that bookkeeping is organised**

Always make sure to do proper bookkeeping, whether you're a small business or bootstrapping. The first thing financial lenders or investors look at is whether a company's books are in order. It will also give you a snapshot at anytime to see how you are tracking.

## **Fine-tune your business pitch**

Refine your value proposition in your business pitch. Donors and investors want to know your impact, and in turn their impact by investing in you. Make sure to showcase the things that make your business unique and impactful. Have clear metrics on how these will be measured and reported.

## **Share your enthusiasm**

Express your passion and get your audience excited, especially when crowdfunding.