

# From Concept to Company: Options for Securing Financing for Your New Business

There are more options than ever to help you secure financing for your business.

That doesn't mean it's easier than ever though. With each of the options described below, you'll need to put together a detailed business plan, which explains exactly how and when your idea will make enough money to pay the investors back.

Once you've got that, you can start looking for the right type of financing and hopefully find the capital to move your business forward:

## **Bank Loans**

One of the main purposes of banks has always been to loan money to responsible businesses that can stimulate the economy. Despite the wave of new financing options available, this remains one of the most reliable sources of money.

Banks typically look for collateral and your credit history to make their lending decision. It's worth approaching multiple banks and investigating the interest rates that they offer in order to get the best possible deal.

## **Peer-to-Peer Lending**

Peer-to-peer lending websites can put you in touch with others who can essentially perform the same function as banks. These sites connect lenders with borrowers. Because they typically don't have the overhead of a bank, their portion of the fees can be smaller, which means that these sites can often offer more competitive interest rates than banks.

## **Venture Capital or Angel Investment**

This type of funding involves approaching wealthy individuals or companies, who will invest money in exchange for equity in your business.

For founders without good connections, the toughest part about securing capital this way is often getting the attention of the investor in the first place. Once you manage this, you'll need to pitch your

idea. These investors will typically invest in more risky ventures, and look for companies that can offer large returns.

## **Crowdfunding**

Crowdfunding websites can help your company secure small donations from a large group of people in order to secure the funding needed to get your business off the ground. These sites work best for companies launching a particular product. The donation usually gets the funders access to the product. Popular websites, such as **Kickstarter**, **IndieGoGo** or **GoFundMe** are a good place to start.

## **How much investment do you need?**

It's important to put a lot of thought into your capital-raising target.

If the figure you seek is too small, your business could run out of money before you hit your next milestone, you will have to fundraise again and investors may look at it as a sign of your lack of ability to plan.

If the figure is too large, you may have to give up more of your company than you want, and may also have a harder time finding investors.

The key to success is to do a detailed exploration of how much money it will cost you to launch the business. Remember to include some cushion, as things often take longer and cost more than you initially anticipate.

The first milestone is securing financing. The best option for doing this will depend on your personal preferences and the unique nature of your business venture. Before moving ahead to secure funding for your company, trust an experienced attorney to guide you on the path to business success.