



FUNDING OPTIONS FOR EXISTING BUSINESSES

LESSON TOPICS

1. Criteria

An existing or established business is an entity operating for 2-3 years. Any younger than that is considered a startup. This will change how to bank will see you.

It is crucial to establish a relationship with a financial institution, so they can better understand and provide help for your needs. In addition, take time to discuss with consultants or financial advisors what your needs are. This will help them guide you in the right direction.

2. Types of Funding

- Bootstrapping is self-funding for your needs. The advantage to this is that you are not paying someone for their services and can reduce debt. The disadvantage is that it can extinguish all of your capital when you are in need of working capital.

-Crowdfunding. This can be from family, friends, and others who would be interested in funding your business. Ensure you are using a reputable crowdfunding site. You also need to ensure you are putting together a compelling argument on why they should support you.

-Traditional funding. This could be through your bank, credit union, or a certified development company that could help put the financing together for you.

-Angel funders or venture capital: Angel

fundors and venture capitalists generally like businesses that are high in growth. They like to see a 5-year plan, fund the project, and then have an endpoint. Not every business fits this criteria, however. In addition, you also might have to give up a portion of your equity for a period of time. It is crucial to discuss this with a financial advisory or lawyer about this topic.