

START UP MONEY

Most entrepreneurs have to come up with their own start-up money – either from their own savings or from relatives who know and trust them. But there are other sources of capital out there that you might tap into.

Nothing is easy or straightforward about raising start-up capital for your venture. Here are some typical potential sources of start-up money.

"Bootstrapping"*

Any potential investor will want to know that you are prepared to invest your own capital in your own venture. Why would you ask others to take risks you wouldn't assume yourself, after all? Your savings, home equity, and cash on hand are all fair game when it comes to putting up start-up capital. No one expects you to put yourself or your family unduly at risk, however. Don't invest more than you can afford to lose, but do expect to "put up or shut up."

**refers to "pulling yourself up by your own bootstraps"*

The Bank of Mom and Dad

Most entrepreneurs look everywhere before they approach their family for start-up capital. Since first time entrepreneurs usually will not find money anywhere else, it makes more sense to start with your family, first. And, for that matter, if you really believe your venture will turn a profit, why not keep the profit in the family? Don't expect a friend or family member to simply hand over their cash to you without seeing your plan, however. After all, you are asking them to invest, so they should be afforded as much information as any other investor. They have one advantage over all other investors – they tend to know you better and may be more willing to take a chance on you.

Angels

Angel is a term that also describes an informal venture capitalist. Usually these are a successful businesspersons in your community who have the means and the willingness to invest locally. They may be more willing to invest in you, because, like your family, they may know you already and know that you are trustworthy and a hard-worker. They will likely want to see a reasonable return on their investment, and they will also probably want to involve some of their own network of professionals in the business, but this will likely be in your favour. To find an angel, just ask around your community – start with your own family's connections.

Venture Capitalists

Formal venture capital is usually a pool of funds from a variety of sources that are used to take an equity position in a new venture that involves proprietary technology. In other words, venture capitalists are willing to take a certain amount of risk if they can own part of a new technology that could generate significant profit down the road. Most venture capital firms are interested only in companies that have been in business for some time and are already generating significant revenue. However, more and more venture capital is being invested in new technologies that have not yet been proved but are, nevertheless, worth the risk in the eyes of the investor. Venture capitalists are usually looking as hard at you, the entrepreneur, as they are at your plan. They often will say, "Not now, but come back in a year," to see how you fare over the next short while and also how persistent you are. It is said that venture capitalists invest in entrepreneurs more than in ventures.

Use the links on this page to take you to some venture capital firms.

Government grants and loans

There can be any number of provincial and federal programs that might assist you with start-up capital. If you are a young person, or a student, there may be special loans for your purposes. Check the link at the top of this page to search out relevant government programs.

Bottom Line: If no one will lend you the money to start your venture, you might take this as a good indication that your venture doesn't have a very good chance of success. Sometimes an entrepreneur can fall in love with a great idea that is really a solution in search of a problem. It's a good idea to take rejection as a reality check – maybe you should try another idea.