Sources of Financing

America is made up of people who have ideas (Entrepreneurs) and people who have money who want their money to make more money. Creating these connections is now your job. (The money is out there for good ideas!)
There are **Banks** (Not really the best source of start-up capital, although the Small Business Administration provides banks "guarantees" in the event of default. There is still regular due diligence to qualify).

*The **Small Business Administration** (**SBA**) is a United States government agency that provides support to entrepreneurs and small businesses. The mission of the Small Business Administration is "to maintain and strengthen the nation's economy by enabling the establishment and viability of small businesses and by assisting in the economic recovery of communities after disasters". The agency's activities are summarized as the "3 Cs" of capital, contracts and counseling.*[3]

SBA loans are made through banks, credit unions and other lenders who partner with the SBA. The SBA provides a government-backed guarantee on part of the loan. Under the Recovery Act and the Small Business Jobs Act, SBA loans were enhanced to provide up to a 90 percent guarantee in order to strengthen access to capital for small businesses after credit froze in 2008. The agency had record lending volumes in late 2010.[4]

SBA helps lead the federal government's efforts to deliver 23 percent of prime federal contracts to small businesses. Small business contracting programs include efforts to ensure that certain federal contracts reach woman-owned and service-disabled veteran-owned small businesses as well as businesses participating in programs such as 8(a) and HUBZone.[5]

SBA has at least one office in each U.S. state. In addition, the agency provides grants to support counseling partners, including approximately 900 Small Business Development Centers (often located at colleges and universities), 110 Women's Business Centers, and SCORE, a volunteer mentor corps of retired and experienced business leaders with approximately 350 chapters. These counseling services provide services to over 1 million entrepreneurs and small business owners annually.

Friends and Family. (Actually the number one source of start-up capital.) If you have a choice, borrow from friends, you can always get new friends! ☺
Credit Card advances, personal lines of credit, etc…but come at a high price for the credit.
Venture Capitalists (If you have watched Shark Tank, you know what I am talking about.) These investors want the chance for large returns for their high risk. They will want regular reports, and a high level of equity. Think volume of about 5 million and up…

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From Wikipedia, the free encyclopedia

***Venture capital** (VC) is financial capital provided to early-stage, high-potential, growth startup companies. The venture capital fund earns money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries, such as biotechnology and IT. The typical venture capital investment occurs after the seed funding round as the first round of institutional capital to fund growth (also referred to as Series A round) in the interest of generating a return through an eventual realization event, such as an IPO or trade sale of the company. Venture capital is a type of private equity.[1]*

Angels. These are equity investors willing to loan smaller amounts of money with lower expected revenue than venture capitalists.
From Wikipedia, the free encyclopedia

*An **angel investor** or **angel** (also known as a **business angel** or **informal investor** or **angel funder**) is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors organize themselves into **angel groups** or **angel networks** to share research and pool their investment capital, as well as to provide advice to their portfolio companies.[1]*

Creative Financing. This can come in a variety of forms. One existing business I worked with, who was trying to expand, and couldn't qualify for traditional financing, sold "gift certificates" that would be useable in a series of future dates, ($5 for $10) – and raised capital – and was paid back over time. (There are laws involving selling securities that should be investigated before going down this road)

Equity Vs Debt Financing

Debt Financing

This is the most common form of consumer loan. It provides funding, to buy something, and it is paid back with interest. After the principal and interest is paid back, the relationship ends.

Equity Financing

This is where you sell a piece of your business. Maybe you get an investor to give you $50,000 to start your business in exchange for 25% of the future profits. In this case, you don't have set monthly payments, which is good – but you must pay 25% of your profits (or volume, or whatever the contract is) for the life of the business. If you sell, they get their cut. This is selling equity.

3 Types of Financing

Seed Money

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Seed money is usually funded by the entrepreneur. This is costs involved in buying business plan software, gas and time to research locations and sources of supply, etc… It includes the costs involved prior to start-up.

Wiki:
Seed money can be used to pay for preliminary operations such as market research and product development. Investors can be the founders themselves, using savings and loans. They can be family members and friends of the founders. Investors can also be outside angel investors, venture capitalists, accredited investors, equity crowdfunding investors or government programs.

Start-up Financing
This includes the funding to get the doors open. Deposits, Inventory, Racks, Fixtures, Website development, whatever…..

Growth
The time to plan for growth is before you open your doors. If you are lucky enough to obtain bank financing, you will want to share your objectives for opening new territory's or storefronts, or web expansion. This establishes early a relationship with any investor that allows you to grow. Maybe it is as simple as paying for merchandise needed for Christmas, but must be paid for by July. You will need time to turn the merchandise to pay your loans.

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