



Ebusiness 101, Part 6: Finding Funding

Every business needs start-up capital. These funds help you purchase furniture and fixtures, computers and inventory while still bringing in a livable wage during the first few years when most companies see more red than black. But how much you need and where this funding comes from differs from business to business.

According to a Biz\$hop article for Wachovia, the country's fourth largest bank and diversified financial services company, more than 17 percent of start-ups launch with less than \$5,000 cash. So before you develop a funding acquisition plan, calculate how much money your business can realistically generate to finance its own expenses. Then define exactly how much money you need to cover necessities, expansion or possible risks.

Start-ups have several options for acquiring funding – from mom and dad to venture capital partners. Begin with your own resources including savings accounts or home equity. Next, tap into your family and friends. Next, research venture capital firms. These are companies that finance start-up ventures who have limited access to capital markets but need quick growth. Angel investors are another source of business financing. Angel investors are successful entrepreneurs that have money to invest in other companies. Newspaper ads and person-to-person networking is the best way to find angel funding sources. The Small Business Administration (SBA) also licenses Minority Enterprise Small Business Investment companies (MSBIs) and Small Business Investment Companies (SBICs) to help fund critical growth stages.

Many small businesses have survived the first few years using credit cards and personal loans. Working or investment partners can bring in funding or services that can save your company money. For instance, if you partner with an attorney or a designer, you save a great deal on legal or design fees. When you need stronger financing, you'll need to discuss these goals with a commercial bank, savings and loan or finance company. You may qualify for a small business or SBA loan or line of credit. But make sure you have sufficient collateral to guarantee funding in the event of default. Borrowers want to make sure they give credit to start-ups that have as much

confidence in their own success as the bank would be offering in loans. Stay tuned for Part Seven: Finding People in this ten part series.

Article by Ramon Sanchez, Vasrue.com – Your information Portal, hundreds of articles at your finger tips!

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