

THE 10 MOST RELIABLE WAYS TO FUND A STARTUP

BY MARTIN ZWILLING



How do I find the money to start my business? I always answer that there isn't any magic, and contrary to popular myth, nobody is waiting in the wings to throw money at you just because you have a new and exciting business idea.

One of the most frequent questions I get as a mentor to entrepreneurs is "How do I find the money to start my business?" I always answer that there isn't any magic, and contrary to popular myth, nobody is waiting in the wings to throw money at you just because you have a new and exciting business idea.

On the other hand, there are many additional creative options available for starting a business that you might not find when buying a car, home or other major consumer item. If you have the urge to be an entrepreneur, I encourage you to think seriously about each of these, before you zero in on one or two, and get totally discouraged if those don't work for you.

Of course, every alternative has advantages and disadvantages, so any given one may not be available or attractive to you. For example, professional investors put great priority on your previous experience in building a business, and they expect to own a portion of the business equity and control for the funds they do provide. These are tough for a first-time entrepreneur.

Thus it is always a question of what you qualify for, and what you are willing to give up, to turn your dream idea into a viable business. Here is my list of the 10 most common sources of funding today, in reverse priority sequence, with some rules of thumb to channel your focus:



10. SEEK A BANK LOAN OR CREDIT-CARD LINE OF CREDIT.

In general, this won't happen for a new startup unless you have a good credit history or existing assets that you are willing to put at risk for collateral. In the U.S., you may find that the [Small Business Administration](#) (SBA) can get you infusions of cash without normal backup requirements.



9. TRADE EQUITY OR SERVICES FOR STARTUP HELP.

This is most often called bartering your skills or something you have for something you need. An example would be negotiating free office space by agreeing to support the computer systems for all the other office tenants. Another common example is exchanging equity for legal and accounting support.

Most metropolitan areas have groups of local high-net-worth individuals interested in supporting startups, and willing to syndicate amounts up to a million dollars for qualified startups. Use online platforms such as [Gust](#) to find them, and local networking to find ones that relate to your industry and passion.



8. NEGOTIATE AN ADVANCE FROM A STRATEGIC PARTNER OR CUSTOMER.

Find a major customer, or a complimentary business, who sees such value in your idea that they are willing to give you an advance on royalty payments to complete your development. Variations on this theme include early licensing or [white-labeling](#) agreements.



7. JOIN A STARTUP INCUBATOR OR ACCELERATOR.

These organizations, such as [Y Combinator](#), are very popular these days, and are often associated with major universities, community development organizations, or even large companies. Most provide free resources to startups, including office facilities and consulting, but many provide seed funding as well.



6. SOLICIT VENTURE-CAPITAL INVESTORS.

These are professional investors, such as [Accel Partners](#), who invest institutional money in qualified startups, usually with a proven business model, ready to scale. They typically look for big opportunities, needing a couple of million dollars or more, with a proven team. Look for a warm introduction to make this work.



5. APPLY TO LOCAL ANGEL-INVESTOR GROUPS.

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4. START A CROWDFUNDING CAMPAIGN ONLINE.

This newest source of funding, where anyone can participate per the [JOBS Act](#), is exemplified by online sites such as [Kickstarter](#). Here people make online pledges to your startup during a campaign, to pre-buy the product for later delivery, give donations or qualify for a reward, such as a T-shirt.



3. REQUEST A SMALL-BUSINESS GRANT.

These are government funds allocated to support new technologies and important causes, such as education, medicine and social needs. A good place to start looking is [Grants.gov](#), which is a searchable directory of more than 1,000 federal grant programs. The process is long, but it doesn't cost you any equity.



2. PITCH YOUR NEEDS TO FRIENDS AND FAMILY.

As a general rule, professional investors will expect that you have already have commitments from this source to show your credibility. If your friends and family don't believe in you, don't expect outsiders to jump in. This is the primary source of non-personal funds for very early-stage startups.



1. FUND YOUR STARTUP YOURSELF.

These days, the costs to start a business are at an all-time low, and [over 90](#) percent of startups are self funded (also called bootstrapping). It may take a bit longer to save some money before you start and grow organically, but the advantage is that you don't have to give up any equity or control. Your business is yours alone.

You can see that all of these options require work and commitment on your part, so there is no magic or free money. Every funding decision is a complex tradeoff between near-term and longer-term costs and paybacks, as well as overall ownership and control.

With the many options available, there is no excuse for not living your dream, rather than dreaming about living.

About the Author

Martin Zwilling is the Founder and CEO of Startup Professionals, a company that provides products and services to startup founders and small business owners. He writes a daily blog for entrepreneurs, and is also a regular contributor to Forbes, Harvard Business Review, Business Insider, and other business information sites. He recently released his first book titled "Do You Have What It Takes To Be An Entrepreneur?" He can be contacted directly at marty@startupprofessionals.com.

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