WHERE DO I GET THE MONEY?

Money to start a business comes from two basic sources: equity or debt. Equity is an investment in the business by you or by a partner (or stockholder). Debt can come from private sources (family) or from formal ones (banks). The most common sources of financing include:

- Personal resources
- Family and friends
- Banks, including Small Business Administration (SBA) loans (www.sba.gov)
- Private investors or "angels"
- Venture capital firms

The type of financing available to you will depend on:

- The amount you need and how it will be used
- Your personal financial condition
- Your collateral
- Your ability to manage a business
- Your determination, presentation skills and ability to negotiate

The SBA does not have any grant programs to start a business. Beware of the common myth that there is a lot of "free government grant money" for start-ups.

Most businesses don't start with bank loans or venture capital. Most actually start with a combination of personal resources, "bootstrapping," and help from family and friends. Only a small number of start-ups begin with a bank loan, and even less with venture capital.

If you have little cash or personal assets and bad personal credit, bank loans are not an immediate option. Your first step may be to recruit an equity partner ("angel") or a cosigner. Creative and determined entrepreneurs routinely start businesses without bank loans.

Bank loans (and SBA guaranteed loans) generally require the following:

- A written business plan or loan proposal
- Investment of your own money (usually 10 to 30 percent of the loan amount)
- Enough assets to collateralize the loan (usually one to two times the loan amount)
- Good character and personal credit
- Personal guarantee (your personal assets will be at risk)

Bootstrapping limits your dependence on banks and other forms of financing.

Some examples:

- Negotiating extended terms with vendors
- Negotiating advance payments from customers
- Working from home until the business is established
- Keeping inventories at a minimum
- Leasing equipment (usually from the manufacturer)

Source: University of Georgia Small Business Development Center (www.sbdc.uga.edu)

Henry COUNTY

HENRY COUNTY DEVELOPMENT AUTHORITY
125 Westridge Industrial Blvd, Suite 101, McDonough, GA 30253
Phone: (770) 288-8000
www.ChooseHenry.com