

Leveraging Capital

Fund Your Business

It costs money to start a business. Funding your business is one of the first — and most important — financial choices most business owners make. How you choose to fund your business could affect how you structure and run your business.

Determine How Much Funding You'll Need

Every business has different needs, and no financial solution is one size fits all. Your personal financial situation and vision for your business will shape the financial future of your business.

Once you know how much [startup funding](#) you'll need, it's time to figure out how you'll get it.

Fund Your Business Yourself with Self-Funding

Otherwise known as bootstrapping, self-funding lets you leverage your own financial resources to support your business. Self-funding can come in the form of turning to family and friends for capital, using your savings accounts, or even tapping into your 401k.

With self-funding, you retain complete control over the business but you also take on all the risk yourself. Be careful not to spend more than you can afford, and be especially careful if you choose to use tap into retirement accounts early. You might face expensive fees or penalties, or damage your ability to retire on time — so you should check with your plan's administrator and a personal financial advisor first.

Get Venture Capital from Investors

Investors can give you funding to start your business in the form of venture capital investments. Venture capital is normally offered in exchange for an ownership share and active role in the company.

Venture capital differs from traditional financing in a number of important ways. Venture capital typically:

- Focuses high-growth companies
- Invests capital in return for equity, rather than debt (it's not a loan)
- Takes higher risks in exchange for potential higher returns
- Has a longer investment horizon than traditional financing

Almost all venture capitalists will, at a minimum, want a seat on the board of directors. So be prepared to give up some portion of both control and ownership of your company in exchange for funding.

How to get venture capital funding

There's no guaranteed way to get venture capital, but the process generally follows a standard order of basic steps.

1. **Find an investor:** Look for individual investors — sometimes called “angel investors” — or venture capital firms. Be sure to do enough background research to know if the investor is reputable and has experience working with startup companies.
2. **Share your business plan:** The investor will review your business plan to make sure it meets their investing criteria. Most investment funds concentrate on an industry, geographic area, or stage of business development.
3. **Go through due diligence review:** The investors will look at your company's management team, market, products and services, corporate governance documents, and financial statements.
4. **Work out the terms:** If they want to invest, the next step is to agree on a term sheet that describes the terms and conditions for the fund to make an investment.
5. **Investment:** Once you agree on a term sheet, you can get the investment! Once a venture fund has invested, it becomes actively involved in the company. Venture funds normally come in “rounds.” As the company meets milestones, further rounds of financing are made available, with adjustments in price as the company executes its plan.

Use Crowdfunding to Fund Your Business

Crowdfunding raises funds for a business from a large number of people, called crowdfunders. Crowdfunders aren't technically investors, because they don't receive a share of ownership in the business and don't expect a financial return on their money.

Instead, crowdfunders expect to get a “gift” from your company as thanks for their contribution. Often, that gift is the product you plan to sell or other special perks, like meeting the business owner or getting their name in the credits. This makes crowdfunding a popular option for people who want to produce creative works (like a documentary), or a physical product (like a high-tech cooler).

Crowdfunding is also popular because it's very low risk for business owners. Not only do you get to retain full control of your company, but if your plan fails, you're typically under no obligation to repay your crowdfunders. Every crowdfunding platform is different, so make sure to read the fine print and understand your full financial and legal obligations.

Get a small business loan

If you want to retain complete control of your business, but don't have enough funds to start, consider a small business loan.

To increase your chances of securing a loan, you should have a [business plan](#), [expense sheet](#), and financial projections for the next five years. These tools will give you an idea of how much you'll need to ask for, and will help the bank know they're making a smart choice by giving you a loan.

Once you have your materials ready, contact banks and credit unions to request a loan. You'll want to compare offers to get the best possible terms for your loan.

Use Lender Match to find Lenders Who Offer SBA-Guaranteed Loans

If you have trouble getting a traditional business loan, you should look into [SBA-guaranteed loans](#). When a bank thinks your business is too risky to lend money to, the SBA can agree to guarantee your loan. That way, the bank has less risk and is more willing to give your business a loan.

Use [Lender Match](#) to find lenders who offer SBA-guaranteed loans.

Small Business Administration Investment Programs

Small Business Investment Company (SBIC)

SBICs are privately owned and managed investment funds licensed and regulated by the Small Business Administration. They use their own capital, plus funds borrowed with an SBA guarantee, to make equity and debt investments in qualifying small businesses. [Learn more about SBICs](#) to see if your business might qualify.

Small Business Innovation Research (SBIR) Program

This program encourages small businesses to engage in federal research and development that has the potential for commercialization. Find out if [the SBIR's competitive awards-based program](#) makes sense for you.

Small Business Technology Transfer (STTR) Program

This program offers funding opportunities in the federal innovation research and development arena. Small businesses who qualify for this program work with nonprofit research institutions in the early and intermediate stages of starting up. Find out if [the STTR program makes sense](#) for your business.

SBA Business Loan Information for Veterans

Of all SBA loans that go to Veterans, 73 percent are \$350,000 and below. The SBA Express Loan Program, which supports loans under \$350,000, is SBA's most popular loan delivery method, with nearly 60 percent of all 7(a) loans over the past decade being authorized through the program. Since the program's inception, it has also been one of the most popular delivery methods for getting capital into the hands of Veteran borrowers.

This policy announcement means that Veteran borrowers will no longer have to pay an upfront fee for any loan up to \$350,000 under the SBA Express program. This will make the loans cheaper for the borrower, another way SBA is looking to serve small business owners as they look for ways to access capital.

SBA provides Veterans access to business counseling and training, capital and business development opportunities through government contracts. In FY 2013, SBA supported \$1.86 billion in loans for 3,094 Veteran-owned small businesses. And since 2009, the dollar amount of SBA lending support to Veteran-owned firms has nearly doubled.

Guaranty Fee Reduction:

Currently, SBA Express loans of \$150,001 to \$350,000 have an up-front guaranty fee of 3%. To continue supporting America's veterans, the SBA Veterans Advantage reduces the up-front guaranty fee from 3% to 0% for SBA Express loans over \$150,000 approved to small businesses owned by qualified Veterans. This will encourage greater participation in SBA lending programs with a direct benefit to Veteran-owned small businesses.

SBA Veterans Advantage Qualifications:

In order to qualify for this, businesses must be 51% or more owned and controlled by an individual or individuals in one or more of the following groups:

- Veterans (other than dishonorably discharged);
- Service-Disabled Veterans;
- Active Duty Military service member participating in the military's Transition Assistance Program (TAP);
- Reservists and National Guard Members; or
- Current spouse of any Veteran, Active Duty service member, or any Reservist or National Guard member; or widowed spouse of a service member who died while in service or of a service-connected disability.

SBA Veterans Advantage Documentation Requirements:

Lenders must document in their loan file a borrower's eligibility using the following documentation must present copies of that documentation with any request to SBA to purchase.

1. **Veteran:** Copy of Form DD 214, which is provided for other than dishonorably discharged veterans.
2. **Service-Disabled Veteran:** Copy of Form DD 214 or documentation from the DVA that the veteran has been determined as having a service-connected disability.
3. **Transitioning Active Duty Military Member:** DD Form 2, "U.S. Armed Forces Identification Card (Active)," or DD Form 2, "Armed Forces of the United States Geneva Conventions Identification Card (Active)" and, DD Form 2648 (Active Duty Military member) or DD Form 2648-1 (Reserve Component member).
4. **Reservists and National Guard:** DD Form 2, Armed Forces of the United States Identification Card (Reserve).

5. **Current Spouse of Veteran:** The veteran's Form DD 214 and evidence of status as a current spouse.
6. **Current Spouse of Transitioning Active Duty Military Member or Current Reservist/National Guard Member:** DD Form 1173, Department of Defense Guard Reserve Family Member Identification Card and evidence of status as the current spouse.
7. **Widow of Active Duty Service Member who died in service or Widowed Spouse of Veteran who died of a service connected disability:** Documentation from DOD or from DVA clearly showing this to be the case.

- In the event that the Veteran's DD 214 is unavailable, a "Certification of Military Service" (NA Form 13038) is an acceptable equivalent.

- For any category listed above that requires a photocopy of a military ID, as an alternative to photocopying the military ID, the service member may provide a "statement of service" signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one unique form used by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated. The statement of service must clearly show:

1. The Service member's full name;
2. The Service member's Social Security Number (SSN) or the last 4 digits of SSN;
3. The entry date on active duty or the entry date of applicant's Reserve/Guard duty, as applicable (depending on whether the applicant is on active duty or is a current member of the Reserves or National Guard);
4. The duration of lost time, if any (for active duty); and
5. The name of the command providing the information.

Note for Current Reserve/Guard Members: The statement must clearly indicate that the applicant is an "active" reservist and not just in a control group (inactive status).

Find a USDVA Facility

Use the [facility locator](#) or call 1-877-222-VETS (8387).

Contact Your County Veteran Service Office (CVSO)

The County Veterans Service Offices (CVSO) are locally-funded agencies established to assist Veterans and their families in obtaining benefits and services accrued through military service. These County Veteran Service Offices promote the interest and welfare of Veterans, their dependents, and their survivors by enhancing their quality of life through counseling, education, benefits assistance, and advocacy. They connect Veterans to their benefits by assisting in their interactions with the USDVA.

- Visit the [CalVet](#) website for more information, **OR**
- Find the [CVSO](#) closest to you, **OR**

CalVet strongly recommends you to work with the CVSO nearest you. Your CVSO can guide you through the benefits and services available as well as help connect you with other local resources.

eBenefits

Apply for and manage compensation, pension, housing, education and training, healthcare, insurance, and burial benefits through www.ebenefits.va.gov .

Questions/Comments

Email us at CalTAP@calvet.ca.gov

Source:

<https://www.sba.gov/business-guide/plan/fund-your-business>

<https://www.sba.gov/offices/district/pa/pittsburgh/resources/sba-business-loan-information-veterans>