

eCourse Outline

Funding a Business in New Hampshire: Starting a Business

Course Outline

- Personal Sources of Funding
- Friends and Family
- Non-dilutive Equity Investments
- Grants
- Negotiating with a Potential Landlord
- Bank Funding
- Micro-loans
- Sources and Uses of Funds Statement

Funding Misconceptions

Grant opportunities and professional investors are rare. Most startups are funded by:

- Personal savings
- Other resources
- Friends and family

Assess Your Personal Finances

The first step is to assess your personal finances.

- Credit score
- Personal savings
- Current employment
- How much are your basic living expenses

Home Equity

Consider a cash out home equity loan.

- Interest rate will be lower than commercial lending

Self-directed IRA and 401(k)

Self-directed IRAs and 401(k)s allow you to use existing retirement savings.

- Use your existing retirement savings
- Keep your retirement savings
- Avoid paying early withdrawal penalties
- Costly to create and administer

Credit Cards

Some startup businesses use credit cards.

- Open a new credit card just for business expenses
- Don't intermingle personal and business expenses
- Find a credit card with a low interest rate
- Have a plan on how you will pay down or refinance the debt

Friends and Family

Friends and family are a common way of funding a startup business.

- Share your business plan with friends to help you refine your ideas.
- Friends and family typically buy shares or other forms of equity in your company.
- Typically buy shares or equity in your company.
- Funds don't have to be paid back on a fixed schedule.

Business Plan

- Have a firm, written investment pay-back plan.
- Explain how investors will be paid back and the timeframe
- Ask each investor to sign it
- Tie their investment to a valuation of the startup
- If using a long-term approach, plan how and when to repay using company profits

Expectations and Boundaries

Establish clear expectations and boundaries about your investor's roles.

- Typically, they do not participate in day-to-day management
- Determine if major decisions should be discussed with them
- Discuss salary and how it will adjust
- Pay yourself a livable wage

Angels and Venture Capitalists

Two other types of equity investments are angel investors and venture capital investors.

- Seeking transformative new technology
- Usually want to see some sales before investing

Non-dilutive equity investments do not need to be paid back.

Donation-based crowdfunding

- Rewards-based crowdfunding
- Business pitch competitions
- SBIR/STTR

Crowdfunding and Rewards

Crowdfunding and rewards-based crowdfunding can raise non-dilutive equity.

- People must like your idea or social impact
- Rewards offer a benefit after investing
- Need to generate significant interest for them to work well
- Two common platforms are Kickstarter and GoFundMe.

- The Local Crowd Monadnock is a New Hampshire-based option

Business Pitch Competitions

Business pitch competitions can be a source of non-dilutive funding.

- Technology and innovative products
- Awards based on the best presentation
- Pitchfork Challenge in Keene
- UNH has multiple competitions for students

Grants

- Small Business Innovation Research grants can provide non-dilutive grant funding for new technology and innovation.
- Department of Defense is the largest provider
- SBDC partners with UNHInnovation to help understand eligibility and submit proposals

Negotiating with a Landlord

An option for brick-and-mortar businesses are to try negotiating with a potential landlord.

- Improvements in leased space do not belong to the business
- Explore what improvements the landlord might pay or help defray the cost

Bank Loans

Bank loans may be an option in some situations.

- Fixed assets like real estate, vehicles, or equipment that can be used as collateral
- Strong personal finances and good credit score necessary

Personal Guarantees

- All commercial loans require you to personally guarantee the repayment.
- Loan guarantee may be supplemented by personal assets

SBA and Government Guarantees

Loans may also be supported by SBA and or other government guarantee programs.

- SBA guarantees a portion of the loan
- Reduces risk to the bank
- Not likely available to new businesses

Microloans

Microloans are another type of loan that can be used to fund your startup.

- Under \$50,000
- Regional Economic Development programs
- Mission based lenders
- Higher interest rate
- Good option for those who cannot get bank financing

