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 UNH Innovation 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