

Sources of Funds For Your Business

Every business needs money to get up and running. Where you get the money from will ultimately depend on your financial and personal situation. The first source you should look to is yourself. If you use your own money you won't have to go through the lengthy process of securing funds elsewhere. This could include your credit cards or maybe a second mortgage on your home. Following is a list of other sources that you may be able to approach.

Friends and Family

This is often called "love money" and is usually available on a very informal basis. A written agreement documenting details of the arrangement is a good idea. The more businesslike you are in your financial dealings, the better off you will be.

Banks

Banks and other financial institutions are the most common sources of funds for financing. Lending to new small businesses is risky for banks since there is no track record to judge performance and likelihood of payback. You must be prepared to present a thorough business plan, have a good personal credit record, and sufficient collateral to secure the loan before being considered by a bank. The Business Development Bank is in business to provide funding to business.

Community Futures

Community Futures is located in many rural communities with a mandate to help small businesses get up and running. Be aware that Community Futures can typically not get financially involved until you have been turned down by two financial institutions.

Angels

Angels are private investors with funds to invest in business start-ups or growth oriented businesses and are usually not connected to a financial organization. Often they are willing to risk their money in exchange for involvement or ownership in the business. They are looking for a good return on their investment and often have a lot of expertise to share. Be

prepared before you start looking. Although finding angels can be difficult, they are out there.

Leasing

You can usually lease vehicles or equipment directly from the original equipment manufacturer or through an agent. Leasing can quite often involve no down payment.

Trade Credit

Suppliers may offer up to 30 days to pay for goods and services you receive. Usually, you will be required to pay cash to establish a credit rating. A credit application is necessary for most suppliers.

For more information:

Internet: <http://strategis.ic.gc.ca/sources>