

Business Plan Workbook #30	
Course	Funding Your Dream
Topics Addressed	Sources of Funds

Key Points

Where Will You Find the Money?

You've put some thought into what you need to buy and how much these things will cost. So the next question is: Where will you find the money?

Your Personal Savings

The first place to start looking is your personal savings. By investing your own money into your business, you will be motivated to succeed. You'll also be showing other investors that you are committed to your goal of starting or growing a business.

Often, other investors will ask how much money you have put into your business. They see your decision to invest in the business as a sign that you are committed to its success.

Family and Friends

Don't worry if you don't have enough of your own money saved to buy all the things that you need. If you need financial help, you can turn to people who believe in you and your business.

The most logical place to start is with your family and friends. These are people who already know you, so you have already earned their trust and confidence. You can use your business plan to share your business idea with your family and friends. It will show that you are serious about starting or growing your business.

Even if you're dealing with close family and friends, you should have a borrowing arrangement in place. In fact, you should handle the arrangement the same way you would if you were borrowing from a bank or another financial institution - that means you need to document it.

Bank Loans

If you don't want to borrow money from family and friends, or if your family and friends aren't able to help you, then bank loans are another option.

In some cases, you may qualify for a personal loan from a bank, but this will be based on the quality of your business plan and your personal financial situation. However, as a new business owner, you may find it challenging to qualify for a loan.

Often, banks want some guarantee that you are a good investment. This will likely mean that they want to see collateral or some other proof that you will be able to pay back the loan. However, once your business grows and becomes profitable, banks will be more willing to loan money to you so that you can continue to grow your business.

Apply For a Grant

Another option is to apply for a grant. A grant is money that comes from governments or other organizations. Grants are an attractive option, because the money doesn't have to be paid back. But, your business must meet the terms and conditions of the grant, or you won't be eligible.

You can do some research, check with your local government, local non-profit organizations, or even corporations to see if there are any grants available to new businesses. A well-developed business plan will be important in helping to get funding from a grant.

Your Vendors

In some cases, you might be able to get financial help from your vendors. Let's say you're buying a lot of materials from a particular vendor. This vendor may be willing to sell the materials to you at a lower cost as a way of helping you with your business. Or, this vendor may be willing to give you more time to pay for your initial order, so that you have more time to make a profit.

Generally, vendors will only do this if you have a well-developed business plan, because they will want to know if there's an opportunity for on-going business.

It doesn't hurt to ask your vendors if they can give you a better price. The worst that can happen is that they say no... and if they say yes, you might be able to save money.

Your Customers

You may be able to obtain money from potential customers, if they are willing to pre-order or prepay for the products or services you will be providing.

Ultimately, this may depend on whether or not your customers trust you to deliver on your promises. If you consistently provide high-quality products or services, your customers may be more willing to pay in advance. If you have a habit of disappointing your customers, they may be less willing to pay in advance.

Outside Investors

Outside Investors may be interested in providing money, but they will likely want to share in the ownership and/or control of your business.

It may be more difficult to find outside investors during the early stages of your business. But once your business is established and you can demonstrate that it is profitable, you may be able to attract the interest of an outside investor.

Related Business Plan Questions

Below, you will see a list of business plan questions related to the topics noted above. If you print this worksheet, you can use the space below each question to write down some initial thoughts and ideas.

When you're ready to start working on your business plan, return to the course, and select "Open My Business Plan".

Q: What are the sources of funding for your business? (Your own savings, family and friends, crowdsourcing, banks, etc.). Include the names of any individuals, organizations, or banks where you plan to get funding.

Q: What amount of funding will you get from each source?