# **Article for Module 6**
# Five Reasons You Should Raise Capital for Your Startup

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I've heard a few founders say, "My company didn't ever need venture capital," almost as if they're boasting about that fact. This may go back to money being a somewhat taboo subject in America — just as showing emotions has often been viewed as a sign of weakness, so too has asking others for money.

Although it is commendable to get by without venture capital because you have managed to bootstrap your business, it's not necessarily something to be proud of or the right strategy for every startup.

Here are five reasons you should consider raising capital, especially with a startup.

## 1. You can scale more quickly.

When you use bootstrapped money or small loans here and there, you will eventually be able to launch. In the meantime, though, a competitor could come out of nowhere and beat you to market. The traditionally slower forms of financing could mean a missed opportunity for your startup.

In contrast, venture capital typically provides a much larger cash infusion upfront so you can scale up to a more visible operation size and add the necessary talent to get work done. It could mean the difference between a year and just a few months. As a result, you can go to market faster and ahead of others in your niche.

The larger amounts of funding, combined with a greater chance of additional funding in the future, make raising capital for your startup a smart choice.

## 2. You gain credibility.

As I mentioned earlier, some people see asking others for money as a sign of weakness. I believe it's quite the opposite. When a venture capitalist is willing to give you a substantial amount of funding, it shows that they see the potential in your startup to succeed, deliver something compelling to the market and provide value to its target audience.

This outward display of approval by a venture capitalist builds instant credibility with stakeholders. Often, funding from venture capitalists is covered in the media, so more people will see that a reputable investor believes in your startup. Not only do you get the money, but you could also get incredible media coverage.

## 3. You can tap resources beyond just money.

When you raise capital for your startup, you get more than just financial backing. That outlay of cash comes with extensive resources, business expertise and instant growth in your network. As an entrepreneur, you may not be able to reach such an extensive base of resources due to limited experience.

These resources can include legal and tax services and access to research. The investor relationship can also lead to introductions to those in their network. Those connections can provide further opportunities for your startup, including talent acquisition, potential customers and more.

## 4. You receive assistance with risk and strategic direction.

Every startup can benefit from a connection to seasoned and experienced venture capitalists who understand risk, strategy and tough decisions. With a large investment and return on the line, venture capitalists are more than happy to step up and serve as advisors.

Many of these investors even come into a startup and become more hands-on to help guide their investment toward success. This assistance can be beneficial when a startup founder may not have experience with areas such as human resources management, financial management and marketing. Even the ability to assist with day-to-day problems or challenging decisions can enhance the overall experience of raising capital.

## 5. You can enjoy generous funding terms.

Raising capital with an investment firm also provides room to breathe when it comes to paying it back. Compared to bank loans, raising capital does not require monthly repayments and does not come with interest.

Instead, there is typically an extended repayment term that frees up capital to help you continue building out your startup. Your cash flow will be stronger and can support reinvestment in products, hiring more talent or expanding your operations.

Another benefit is that you will not have to use personal assets to grow your business or as collateral for the money you borrow. That means not having to put your home up in return for the funding. Leaving those personal assets out of the equation can take some of the pressure off of you as an entrepreneur.

## What do you need to remember?

There are many benefits to raising capital for your startup. Just remember that it's important to do everything in your power to deliver a return for that investor. Undertake due diligence to find those investors who understand what your startup offers and who share your values, strategic direction and overall financial objectives. Doing so will help to create a mutually beneficial relationship and enable you to turn your business idea into a viable startup.