

Title:

Businesses Need Money To Grow. Is Venture Capital Right For You?

Word Count:

512

Summary:

The goal of every business is to be successful in their efforts and continue to grow. However, they often come to a crossroads where they are going to have to invest more money if they want to experience growth and additional profits. It may be money needed for new equipment, a larger building, or a number of other items that can be found to keep a business operating at its very best.

Keywords:

venture capital, venture capital financing, sell a business

Article Body:

The goal of every business is to be successful in their efforts and continue to grow. However, they often come to a crossroads where they are going to have to invest more money if they want to experience growth and additional profits. It may be money needed for new equipment, a larger building, or a number of other items that can be found to keep a business operating at its very best.

Many business owner's turn to venture capital in order to finance the such ventures for their business. This is a type of loan that comes from a private investor rather than a traditional lending institution. The lender offers the necessary cash and in return they receive shares of ownership in the business.

They often ask for 2% of the profits during the time it takes to repay the funds as well so venture capital lending can be very profitable. In addition you will still be paying the principal balance and the interest on it. However, this 2% is to cover their risk on such an investment.

Business owner's may have no choice but to look into venture capital options if they are considered to be too high of a risk for a traditional lender to offer them the funding they need. It could be due to the business being new, the business owes too much money to other lenders, or they have a poor credit history that traditional lenders can't accept.

There are also times when a business needs funding in order to purchase items that aren't tangible. Since the lender can't use them as collateral they find

the venture to be just too high of a risk. Some common items that may be involved are software programs for operating computers in the business and research that is necessary for the business to successfully grow.

However, it is important to realize that venture capital may not be a good option for your particular business and financial needs. You are going to have to be able to present information that shows there is a very high chance that your business will be quite profitable if you are allowed to access the funds necessary for your business to expand.

Keep in mind that your information also has to show that these additional earnings will be evident in the allotted time frame. In most instances the investors of venture capital will give you a minimum of three years and a maximum of seven years for that growth to occur and be profitable.

Venture capital should always be a last resort when all other options of securing funding have failed. In those instances it can be a very valuable tool which can decide whether you get the funding you need to expand your business or not. It is estimated that more than \$6 trillion in loans under the category of venture capital take place each year in the United States. The process is available in many other countries as well but not nearly to the same extreme as in the United States.