It took $10,000 to launch my apparel line, Ghost and Stars.

I don't know about you, but when I was just starting out, I didn't have that kind of cash just lying around. Enthusiasm and super soft cat sweaters are great, but they just don't pay the bills, ya know?

I needed to save up money through my other side-hustles, or I needed an investor -- someone who believed in me and my idea enough to give me money in exchange for (potentially) more money in the future. And if I hadn't been brave enough, I wouldn't get to put my designs out into the world for people to enjoy. But now it's your turn.

So let's find the right investor for you, because each has its pluses and drawbacks, and it's time to fund your dreams. I'm Anna Akana, and this is Crash Course Business: Entrepreneurship. [Theme Music Plays]. This episode is near the end of this series, but entrepreneurship isn't a linear journey.

You might need funding to accomplish any of the steps to build a business, not just when you're ready to take a product or service to market. Some people look for money for their minimum viable product. Some market their product or service once everything is set up.

And if you believe Silicon Valley legends, a few people get funding with just an idea. But where should we look? Start with the Three

Fs: Friends, Family, and Fools. And calling them fools sounds kind of mean, but we're NOT trying to trick anyone -- this is just part of the quirky entrepreneurial jargon. These people are often the first stop for an entrepreneur, because they believe in us the most with the least amount of evidence. According to the crowdfunding site Fundable, the three Fs invested 60 billion dollars -- three times as much as angel investors -- in budding entrepreneurs in 2014.

That's right. Billion. With a B.

More seasoned investment pros -- like banks or venture capitalists -- will get bogged down with "proof of concept," "financial performance", or needing it "to be more than a stick figure sketch on a notepad." But the three Fs are more likely to be team us. A lot of this early-stage money is in small amounts to help create a prototype, get design software, or travel to meet with a prospective partner. These moves can open a lot of doors, but they might not interest professional investors.

The disadvantage of asking everyone you know for money is that you might fail, and then you've brought someone close down with you. If you take this path, be honest about the risks involved, and don't ask for more than someone could lose. The main advantage is that you typically get to keep ownership of your company, and your success is their success too.

And if grandma does drive a hard bargain, at least the business is in the family. Let's go to the Thought Bubble to see how we might actually make a funding ask. Ryan has so many books that he's started storing them in plastic tubs.

His taste is renowned, his online review blog has a pretty big following, and all his friends ask for recommendations. Ryan also loves travel. So to combine his loves, he's struck with inspiration to start Library on the Loose -- basically a food truck but for books.

He knows he can use his massive collection as inventory, and he can probably work with a local bookstore to sell some of their new titles. But buying a truck would be too expensive for him right now, so he wonders whether some close friends would help. Ryan's super nervous, so he's going to use four tips that entrepreneurs recommend:.

One, ask for a specific amount of money for a specific goal. Two, let people see your investment and commitment. Three, communicate the plan and identify risks upfront.

And four, talk with an attorney to structure the deal. So Ryan combs through the internet and finds the perfect truck -- a 2006 Freightliner step van -- for $15,000. He then asks his four closest friends to meet him for coffee and warns them he has a business proposal.

Ryan opens by telling them his dream of Library on the Loose and shows them the picture of the truck online. He mentions his booming review blog and how he's successfully sold some of his collection from a mobile bike book-stand. Then, he makes the ask and proposes that they all put in $3000 to buy the truck.

It's a risk, but in exchange, he'll be transparent about his accounting, pay them back over 3 years, and everyone gets free book suggestions for life, which he'll have his lawyer acquaintance Kim put down in writing. The decision is up to his friends' now, but everyone seems excited to be included. Thanks, Thought Bubble!

Those four tips can apply to any entrepreneur asking anyone for funding, although the Three. Fs are a common starting place. But maybe family and friends aren't an option, or we want to cast a wider net!

Non-equity investment crowdfunding platforms let us pose an idea to the internet. Crowdfunding is pretty simple and involves platforms like Kickstarter, IndieGoGo, or. GoFundMe.

We can create a post with info about the product or service we'd like to make, and then set a funding goal and a time limit. Anyone who gives money will be sent a perk. For instance, if you're trying to fund a new multi-sensory meditation pillow, backers might be sent a guided meditation if they pledge $25, or maybe an early version of the pillow if they pledge over $50.

Sounds awesome, right? You get funding, validation testing, and a customer network all in one. And a big plus is that crowdfunding lets you keep total ownership of your company.

But it's a lot of work to run a successful campaign, starting with researching the platform you like the most. Maybe some platforms have higher success rates or tend to feature products like yours. A quick search through past campaigns can reveal how many reached their funding goals or help you think about why some products failed -- like, the idea might've been half-baked.

And just like paying attention to competing businesses, we want to pay attention to what other crowdfunding entrepreneurs offer as rewards. We may be able to offer something unique, but don't fall into the trap of over-promising and under-delivering. A customized all-in-one house cleaning robot could take YEARS to manufacture, while a sticker with your logo would be just fine.

Plus, on some sites, you could still end up with $0 if you don't hit your goal. Kickstarter, for instance, requires a project to be 100% funded before any money is paid out. To avoid taking money directly from people, a traditional bank loan might be an option -- although banks aren't usually the first stop for entrepreneurs.

It can be difficult to get a bank loan when we don't have many assets or proof of stable revenue over time. Banks like to know we'll pay them back! And we're just not there yet as a new entrepreneur.

So start building a relationship with a business loan officer when

you open your business bank account. Take time to go into a branch and let them know what you're up to. Developing this relationship can pay off in the future when you want to take out a loan or a line of credit, or even when times get a bit tough and you need advances on payroll or deadlines extended.

It never hurts to have more people in our corner. To pursue a loan, remember to check what the bank likes to see from a business plan. You'll definitely need financial data, but they may be satisfied with a succinct 5-8 pages on the rest of the business if you tell a good story.

A formal loan can be hard to get and comes with a formal schedule to pay it back. And if you can't pay, they make take something else you own, like your car. But your success -- or failure -- is all your own!

Many non-US countries also have lenders that focus on microloans and helping community members get ventures off the ground, but we can't get into the nitty-gritty here. If we're okay not having complete ownership, investment-based financing involves selling a piece of the company to interested people who become shareholders and partially own it. This path often begins with an angel investor, or someone with a high net-worth and an interest in helping small businesses and entrepreneurs.

They usually like to be hands-on with early-stage entrepreneurial ideas, and invest less than $100,000. The typical venture capitalist is an investor or firm representing several investors that focuses on startup companies. They often take a "high risk, high reward" approach and invest much more money than an angel investor, hoping to get more profit down the road.

The advantages of turning to investors is the ton of cash upfront, and the expertise from people who have already done what you're trying to do. But on the flipside, investors expect a lot in exchange for so much money. The more investment capital you get, the less ownership (like profits and voting rights to make decisions) you hold onto.

There's also a lot of business-y buzz around accelerators or incubators, which are programs designed to accelerate the growth of a company so it becomes more profitable faster. Techstars, Y-Combinator, and Boomtown are accelerators behind some of the biggest startup success stories. They usually come with mentors, paths to fast customer discovery and acquisition, and are often venture capitalists in disguise -- which isn't a problem, just something to be aware of, because of similar disadvantages.

You may have to give up some ownership to get involved with these perks. And if you don't know where to find investors but you're still willing to give up ownership, there's also a crowdfunding approach called equity crowdfunding. This allows anyone to pledge funds, but instead of receiving rewards, they receive slices of ownership.

This has been a game-changer in places like rural America where venture capitalists are scarce, but communities are strong. An advantage of equity crowdfunding is finding people who really believe in your business. People who don't have the money to be a traditional angel investor can help within their budget.

And, like traditional crowdfunding, you can take it to the internet to find more potential investors. However, the average successful equity crowdfunding campaign only raises $7,000, and you have to give up partial ownership. Also, there are some serious regulations around equity crowdfunding that vary state by state.

Finally, grants are given by companies, foundations, and federal or state governments looking to support businesses and spur economic development. On the plus side, you get money without having to repay anything or hand over ownership. In the US, check grants.gov for federal opportunities, your state's department of commerce for state opportunities, and your city's economic development agencies or tourism board for local opportunities.

But on the negative side, grants are tough to get because they're usually only allowed to fund specific things. There are also often strict reporting and measurement guidelines that come with the money, and fulfilling these obligations can take away from your focus on key activities or plans for strategic growth. The bottom line is: financing a startup can be tricky.

Go where your connections lead you -- whether that be friends, angel investors, bankers, or yes, the internet. Next time, we'll wrap things up by talking about growth and whether it's always a good thing. Thanks for watching Crash Course Business, which is sponsored by Google.

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Skills:.