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## Where to Get Money to Start a Business: 10 Sources of Startup Funds for Microsized Businesses

by Janet Attard

Why don't more people start their own business?

If you answered, "lack of funds" you're right on the money.

In various ways, money - getting enough to start the business and worry about not making enough money to replace the income and benefits from a full-time job - is one of the biggest deterrents to would-be business owners.

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Nevertheless hundreds of thousands of individuals start businesses each year. How do they do it? Where do they get the money to get started? Here are ten solutions for startup funding for a micro-sized business. Some are nearly risk-free. Others involve significant financial risk and should be used with caution.

**1 - Start part-time.** If you need a steady source of income to meet your financial obligations (and keep your family covered by health insurance) start the business as a part-time venture. Don't quit the day job until the part-time business has a steady flow of customers and profits.

**2 - Start the business from home.** You can start your business for much less money if you don't have to foot the bill for office space and utilities for an out-of-the-home office. While you may not want to advertise the fact that you work from home, you will have plenty of company. According to the [findings](#) of a US Census Bureau study of small businesses, nearly half of all businesses in the US are homebased.

**3 - Get advance commitments for work.** Line up one or two sources of business before you take the plunge. Former employers, if you left on good terms, are often a source of start-up work, or sometimes funding. Big companies that can send you their overflow work or small jobs that

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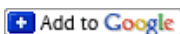
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they don't want to do can also provide the initial stream of work and income.

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**4 - Get a part-time job.** Work part time and save up your earnings until you have enough money to start the business. Or, as an alternative, work part- or full-time in your own business and take a part-time job to supplement the income from your new business.

**5 - Live frugally** - and invest the savings in your business. You don't have to live like a pauper or waste hours searching for 50 cent-off coupons to live frugally. A few simple changes may save you \$200 a month or more.

Depending how much coffee you drink, for instance, making it at home or in the office instead of buying it at Starbucks or Dunkin Donuts could save you \$10 or \$15 a week. Bringing your lunch to work instead of ordering it out could save you another \$15 or more a week. Eating a home-cooked meal instead of bringing home fast foods or eating out on week nights could possibly save you another \$20 or \$30 a week. Turning your thermostat down a degree or two during the heating season, and turning it up a degree or two when you have the air conditioning cranking away will save you significant amounts of money during the year. If you're determined to save money, you can probably find a lot of other ways to cut back on your spending.

**6 - Use a credit card.** Using a credit card - if you have good credit - is the easiest way to get money to start a business. Equipment, suppliers, advertising and postage (for mailings) can all be purchased with a credit card. And if your credit card gives you a line of credit, you can give yourself an instant loan (up to your credit limit). But using a credit card to start your business bears some significant risk, too. If you're not careful you can quickly run up a huge credit card bill - a bill you'll be responsible for paying whether your business is successful or not.

**7 - Apply for a home equity line of credit.** Some banks offer home equity lines of credit that let you borrow up to as much as 85% of the appraised value of your home. Depending on the value of your home and what you still owe in other mortgages, that can put a significant chunk of money at your disposal for starting your business. The downside: you're putting your home at risk. If the business fails and you can't repay the loan, you could lose your home.

**8 - Apply for business loan** instead of a home equity loan. Information you'll need to give the bank includes the: purpose of the loan, projected opening-day balance sheet (new businesses), lease details, amount of investment in the business by the owner(s), projections of income, expenses and cash flow, signed personal financial statements and your resume. You may also need a formal business plan. (If you're trying to get funding to grow a business you've already started, you'll also need business financial statements for the last three years, and information on

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receivables, payables, and outstanding debt.) Don't be surprised if the bank turns you down, though. Banks are often leery of lending money to startups.

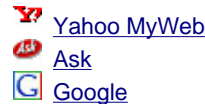
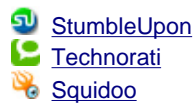
**9 - Ask Your Bank About an SBA-guaranteed loan** If the bank turns you down for a business loan, ask them if they'll consider your loan through the SBA guaranteed loan program. If they agree to do so, they'll forward your loan application and credit information to the nearest SBA district office, for a decision.

**10 - Borrow from family and friends.** Family and friends are a frequent source of funding for small businesses. But remember, you have to live with your family for a long time - and you probably want to stay friends with your friends. So don't borrow from unless you have a business plan and have done enough research to know there is a market for what you want to sell. Be sure your plans provide a way to also pay interest on the money borrowed from family and friends.

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#### About the author

Janet Attard is the founder of the award-winning [Business Know-How](#) small business web site and information resource. Janet is also the author of [The Home Office And Small Business Answer Book](#) and of [Business Know-How: An Operational Guide For Home-Based and Micro-Sized Businesses with Limited Budgets](#).



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