

# Where to find investors for your startup in 2022

*Are you worried about how you're going to get your startup off the ground? You're not alone. Most startups need money to get started, and that's where investors come in. But finding the right investors can be difficult. It takes a lot of time and energy to network and pitch your business.*

Temps de lecture : minute

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We've written a guide on how to find investors for your startup. Learn everything you need to know about attracting the right kind of investor, preparing a winning pitch, and more!

## The power of the right investor

As you are about to find out, there are several ways to find potential investors for your early-stage startup. But before we jump into that, let's talk about the power of the right investor.

The wrong investor can do serious damage to your startup. They can drain your resources, push you in the wrong direction, and make it difficult to raise additional funds down the road.

On the other hand, the right investors can be a major boon to your business - they can provide the resources you need to get started, help you make connections, and give you valuable feedback.

For these reasons alone, it's important to take your time and find investors who are a good fit for your business. The process can be time-consuming, but it's worth it to find the right people to invest in your startup.

As well as finding the right investor(s), you need to be smart with the money invested.

## Be a smart startup

What does being a "smart startup" mean?

In essence, it means *being as frugal as possible* with your expenses. It means building a lean, mean startup machine that is focused on attracting investors and generating revenue. It also means being smart about how you use your limited resources to get the most out of your startup.

No one is saying that you need to live on bread and water while you're getting your startup off the ground but you do need to be mindful of how you're spending your money. Structure your finances for the worst-case scenario, so that you have a cushion to fall back on if things don't go as planned.

And finally, remember that attracting investment is not the only way to finance your startup. There are other options out there, such as grants, loans, and crowdfunding.

# A clear path

Before you start looking for investors, it's important to have a clear idea of what you need the money for.

What are your short-term and long-term goals? How much money do you need to achieve these goals? What are you willing to give up in return for investment?

Answering these questions will help you attract the right investors and structure deals that are beneficial for both parties. Some startups need large sums of money to get off the ground, while others can get by with less. There is no right or wrong answer here; it all depends on your specific business.

Once you have a clear idea of how much money you need, you can start looking for investors who can provide it.

The type of investor you need will also depend on the amount of money you're looking to raise. For small investments, you might be able to attract angel investors or venture capitalists. For larger sums, you'll need to look to private equity firms or institutional investors.

Now that we've covered the basics, let's jump into our guide on how to find investors for your startup.

There are five main ways to attract investors for your startup:

- You can borrow money from family and friends.
- Get a small business administration loan.
- Private investors are a great option.
- Make direct contact with businesses or schools in your field of expertise.

- Try using a crowdfunding platform.

## Borrow money from family and friends

The first port of call for any new startup to raise capital is often to friends and family. If you're lucky enough to have supportive loved ones, they may be willing to invest in your business.

This is a great option because it's low-risk and you won't have to give up any equity in your company. However, it's important to remember that this is *still* a business transaction. You'll need to draw up a contract and make sure everyone is clear on the terms of the loan.

There might be a part of you that thinks this is a little too official, however, no matter who you are borrowing money from, it's always best to get everything in writing. Not only does this make the terms easy for both parties to understand, but it also protects you if things go sideways.

A few things to consider before borrowing money from friends and family:

- How much can they afford to lend?
- Are they comfortable with the risks involved?
- What is the interest rate?
- When will the loan need to be repaid?

Note: You don't need to give away equity in your company to attract investors. In fact, if you're early on in the process, it's often better not to give away any equity at all. You are far better off negotiating a longer loan period and a smaller interest payment than giving away a stake in your company.

# Get a small business administration loan

If you are not able to raise money from friends and family or raise that much, the next-best option is to take out a small business loan. We say 'small' because the idea is to borrow a small amount first, pay it off and then go for larger rounds of funding at a later stage.

When banks and financial organisations can look back at your history of borrowing *and* paying it back, it makes you a much more attractive investment. Also, the smaller the loan, the easier and quicker it is to pay off. Just remember, use any loans you receive to fund ways of making more sales or buying stock - not things like office space or unnecessary furniture.

## Private investors are a great option

If you've exhausted all your other options, it may be time to start looking at private investors. These are usually wealthy individuals or firms who invest in small businesses.

One of the great things about private investors is that they often have a lot of experience and can offer valuable advice. However, they will also expect a *significant* return on their investment and may want a say in how you run your business, too.

To find private investors, start by networking with people in your industry. You can also look for venture capital firms or angel investor groups. There is also the possibility of approaching angel investors directly. The best way to do this is by elevator pitching your business idea. (This is where you explain your business in the time it takes to ride an elevator, usually

around 30 seconds).

If you can interest an angel investor with your pitch, they may want to hear more about your business and potentially invest.

## Make direct contact with businesses or schools In your field of expertise

Another great way to find investors is to make direct contact with businesses or schools in your field of expertise. For example; if you're starting a tech company, reach out to local businesses that might be interested in using your products or services. You can also connect with professors at nearby colleges and universities.

If you have a great relationship with these businesses or professors, they may be willing to invest in your company. They may also be able to introduce you to other potential investors.

## Try using a crowdfunding platform

Since interest rates are at historic lows, there are more and more ordinary and sophisticated investors alike looking for yield in places other than traditional investments like bonds and guaranteed investment contracts (GICs).

Crowdfunding has become a popular way to raise money, especially for small businesses and startup companies.

The worldwide crowdfunding market was valued at \$13.64B in 2021 and is expected to double by 2028, with a compound annual growth rate

(CAGR) of 11.2 percent over the same period (Statista.com).

With crowdfunding, you can post your business proposal on a website and allow people to invest small amounts of money in exchange for equity or rewards. Some of the more popular crowdfunding websites include Kickstarter, Indiegogo, Crowdfunder, GoFundMe, and Crowdcube.

## Kickstarter

One of the original and most popular crowdfunding platforms is Kickstarter. It's a great platform for creative projects, such as art, design, technology, and gaming.

To use Kickstarter, you create a project page and set a funding goal. You then have to provide rewards for people who invest in your project. These rewards can be anything from a thank-you email to a limited edition product.

If people like your project, they can pledge money to it. If you reach your funding goal, the money is yours to keep. If you don't reach your goal, no one is charged and you don't receive any funding.

## Indiegogo

Indiegogo is another popular crowdfunding platform that's open to a wide range of projects. It's a great platform if you need to raise money quickly or if you're looking for international investors.

One of the benefits of Indiegogo is that you can keep any money you raise, even if you don't reach your funding goal. However, if you don't reach your goal, you may have to pay higher fees.

To use Indiegogo, you create a campaign page and set a funding goal. You then choose whether you want to offer rewards or not. If people like

your campaign, they can pledge money to it.

## Crowdfunder

Crowdfunder is a crowdfunding platform that's focused on small businesses and startups. It's a great platform if you're looking for investors who are interested in business ventures.

To use Crowdfunder, you create a profile for your company and set a fundraising goal. You then have to pitch your business to potential investors. If people are interested in investing, they can pledge money to your company.

Crowdfunding sites like Crowdfunder provide the option of setting a future-funding goal or creating an "Always On" fund, which allows projects to continue raising cash after they've completed. This characteristic is also known as "perpetual funding".

## GoFundMe

GoFundMe is a popular crowdfunding platform focused on personal causes and projects.

It's a great platform if you're raising money for a charity or if you need help with medical expenses. To use GoFundMe, you create a campaign page and set a fundraising goal. You then have to tell your story and explain why you're raising money. If people like your campaign, they can donate money to it.

There are no fees to use GoFundMe, but the platform does take a small percentage of each donation.



# Crowdcube

A favourite among startup companies, *Crowdcube is a crowdfunding platform* that allows businesses to raise money in exchange for equity.

To use Crowdcube, you create a profile for your company and set a fundraising goal. You then have to pitch your business to potential investors. If people are interested in investing, they can pledge money to your company in exchange for equity.

Crowdcube is a great platform if you're looking for long-term investors. However, it's important to note that giving away equity in your company can dilute your ownership stake and control over the business.

Before you choose a crowdfunding platform, make sure to do your research and compare the fees, terms, and conditions. You should also create a marketing plan to promote your campaign and attract potential investors.

## Key takeaways

Now that you know about some of the best crowdfunding platforms, you can start raising money for your startup. Just remember to set a realistic goal, offer rewards, and promote your campaign. With a little effort, you should be able to find the investors you need to get your business off the ground.

- In the first instance, borrowing from family and friends is often the best way to raise money for a startup. Always insist on drawing up an official contract, even if they are close to you, in order to avoid any future disagreements.
- Crowdfunding is a great way to raise money for your startup. There

are a variety of crowdfunding platforms to choose from, each with its own advantages and disadvantages. Be sure to do your research before selecting a platform.

- When raising money through crowdfunding, it's important to set a realistic goal, offer rewards, and promote your campaign. No matter how good your product or service is, the offer needs to be promoted to attract potential investors.
- If you're looking for long-term investors, Crowdcube is a great option. However, giving away equity in your company can dilute your ownership stake and control over the business.
- Other popular crowdfunding platforms include Indiegogo, Crowdfunder, and GoFundMe.

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