things started. Fortunately, there are options besides winning the lottery or receiving a large inheritance, including small business loans, credit cards, bootstrapping with retirement savings, seeking private investment, and crowdfunding.

Before we examine the various funding sources, here is some general advice on preparing to finance your business pursuits.

1. Do Your Homework

Before you approach any outside source for business financing, take the time to work out a business plan that includes expenses, projected sales, and profits. If you need assistance with this process, consider finding a business mentor through the nonprofit organization's SCORE or BusinessAdvising.org.

Be enthusiastic about your business, but ruthlessly realistic about your financial picture. Optimism is great, but wishful thinking has no place in a business plan.

Don't ask for more money than you need, be prepared to explain how you'll use the funds and what the reasoning is behind those choices.

Once you've got your pitch clear in your mind and are prepared to share your vision, consider one of the following strategies for funding your venture.

2. Seek a small business Loan

small business lending from local banks and credit unions is a time-honored driver of small business growth. A 2017 report by the U.S. Consumer Financial Protection Bureau, "Key dimensions of the small business lending landscape," sizes the U.S. small business lending market at $1.4 trillion, and estimates credit from banks accounts for about 36% of that, or roughly $504 billion. Those institutions are still a good potential source of funding, and they've been joined in recent years by online

- Look for institutions that offer loans through the U.S. Small Business Association (SBA). The SBA insures lenders against loss on 85% of qualifying loans of less than $150,000, and on 75% of loans that exceed $150,000. SBA-backed loans also give borrowers more flexible repayment options than standard business loans.
- Look for lenders based in your community (as opposed to national banks with branches in your city or town), which are likely to seek opportunities to support local businesses.
- If local sources don't pan out, consider using one of the many online lenders that offer small business loans. Applying online may not afford much opportunity to share your enthusiasm, but opportunities are there for sound businesses.

3. Tap Retirement Savings

For many would-be entrepreneurs, particularly those seeking new opportunities following a downsizing or other mid-career transition, their largest personal cash reserves are retirement savings socked away in 401(k) or IRA funds.

It's possible to use those funds to start a business via a legal maneuver known as a rollover as a business startup (ROBS). The ROBS process involves the following steps, all of which should be done with guidance from a lawyer or financial professional:

- Incorporate your company as a C Corporation (a business that's taxable independent of its owners) and authorize it to issue stock.
- Create a 401(k)-retirement plan for the company.
- Roll some or all of your retirement savings into the new company plan. If you have business partners, they also can roll their 401(k) savings into the new plan.
- Have the retirement plan buy shares in the company and use the cash from the sale as operating funds.

There are a couple of significant risks involved in the ROBS process.

- A downturn in the new business could erase both your livelihood and your

of risk that's easy to overlook.

Before you pull out your personal card, consider applying for a corporate card. Even if your company is new, and doesn't have documented sales and profits, you may qualify for a corporate credit card at least a modest credit limit in your company's name.

When considering applications from a startup without a financial track record, card issuers must rely on the personal credit of the owners, so if you plan to seek a company card, take care to shore up your personal credit score beforehand.

There are several potential drawbacks to the tactic of financing a business with credit cards:

- Interest rates on credit cards are often steep, so using them can be expensive. Interest charges on outstanding balances can pile up quickly.
- Carrying a balance that exceeds about 30% utilization of a card's borrowing limit can lower your credit score.

5. Enlist Private Investors

Persuading others to share your dream and back you financially is a popular tactic for obtaining business funding.

Work with legal counsel (and possibly a business mentor) to clarify the roles you are prepared to let individual backers play (or not play) if they agree to provide you with funding. Get it all in writing and do all you can to set clear realistic expectations.

Family and Friends

Perhaps the most tried-and-true funding source for budding businesspeople is family

what you’re prepared to pay in interest, and how you plan to repay the debt—in monthly installments, a lump sum after a set number of months, etc. Whatever plan you settle on, be sure to honor it scrupulously.
- If you’re offering a stake in the company, spell out what percentage of company equity the investment will equal, the earliest the investor can expect to cash out their stake (e.g. in five years), and whether or not they’ll have any voice in business decisions.

Angel Investors

An “angel” is a businessperson who provides financial backing to companies they think will prosper, with the expectation that they will share in its financial rewards. Under the best of circumstances, an angel brings relevant experience and provides valuable advice that helps expand the business. In less auspicious relationships, angels and company founders clash, to the detriment of the company and its financial stability.

Angel investors will likely expect a detailed accounting of the company’s financials and plans for building the business. They also are unlikely to be content with a passive “silent partner” role in company management, so it’s important to clarify up front the nature of their involvement in company decisions:

- Will they be consulted on all decisions, for example, or only decisions involving finances?
- Do they get a vote on new hires, relationships with partners, vendors, or customers?
- How often will they be briefed on the progress of the company, and when will they have the option to cash out?

6. Pursue Crowdfunding

Crowdfunding websites like Kickstarter, in which individuals can support companies

Traditionally items of modest value are offered for small donations, and items of increasing worth are promised for contributions of larger size. If you go this route, know the prize(s) you plan to give away for each contribution level, and factor the cost of the items (including shipping) into your fundraising goal so that the program can pay for itself.
- Pay close attention to the rules of the site. Understand the way crowdsourcing sites handle campaigns that fall short of their target goals. Some sites forward funds to you whether you make your goal or not. Others return contributions to donors if the fundraising goal is not reached.
- Know the fees the sites charge for processing your campaign, and make sure you factor them into your financial goal.
- Recognize that you'll need to promote your campaign. Spread the word using social media, bulletin boards (online and in the real world), newsletters for churches and clubs, presentations to civic organizations and business-networking groups, etc. Update the campaign page frequently and follow up with contributors and encourage them to tell others about your campaign.

7. Bring Passion and Persistence

Whatever your entrepreneurial goal may be, one of these avenues can help you achieve it. Decide which one suits you best and pursue funding with passion and persistence.

If one source of funding turns you down, do all you can to try to learn what went wrong. Then adjust your application and apply elsewhere. If you keep going and don't give up, you may be pleasantly surprised by how many people and institutions are willing to support your dreams.

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