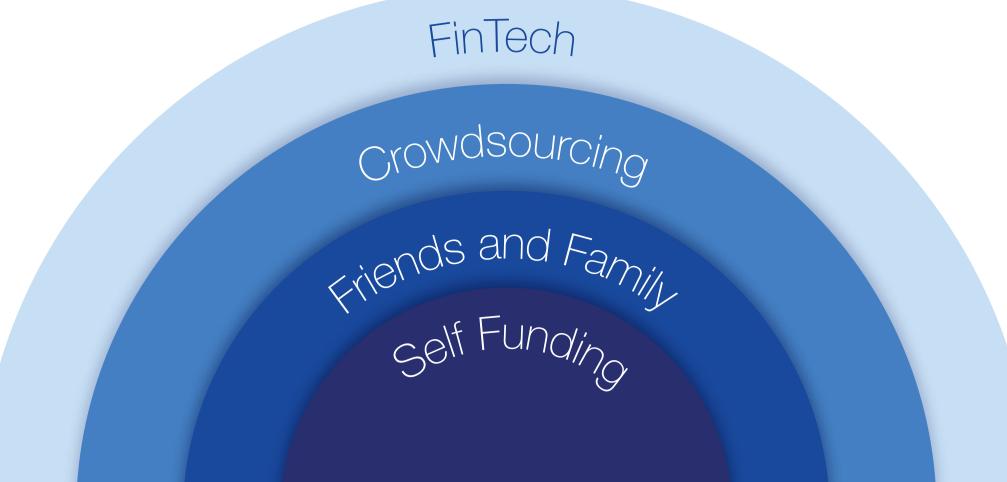
Starting a business comes with a wide range of challenges, but how to fund it is often a major one. Getting a business off the ground costs

\$30,000 on average and records show 50 percent fail within the first five years. Many banks don't offer small business loans until a business



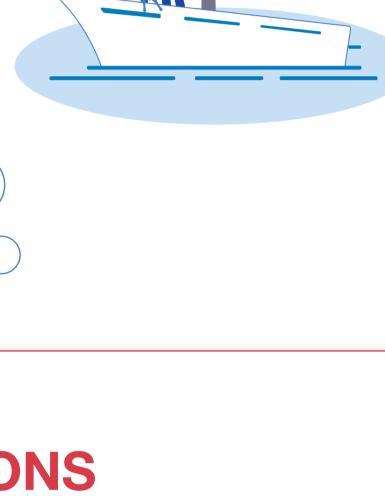


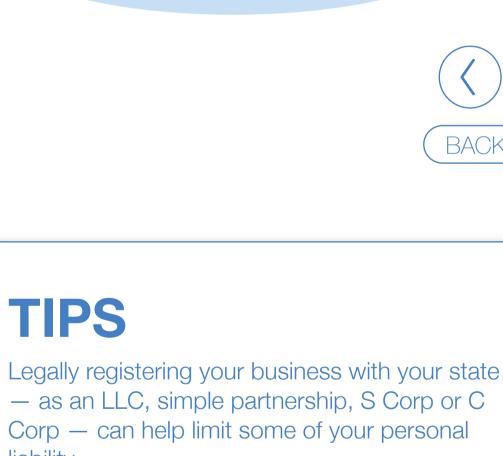


SELF-FUNDING

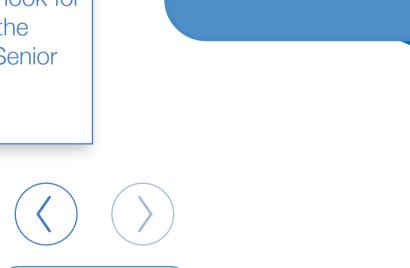








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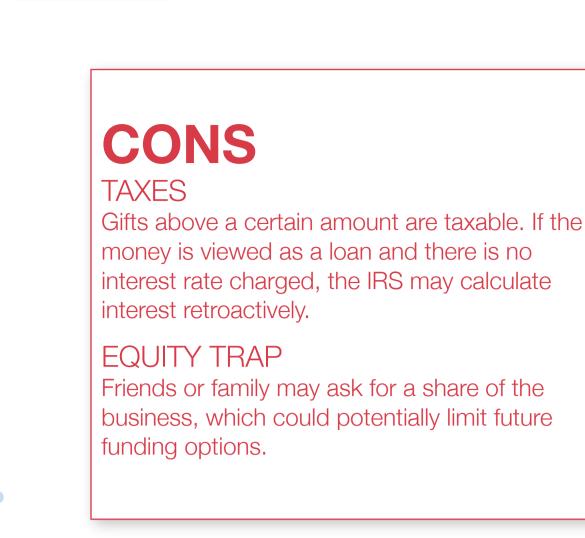


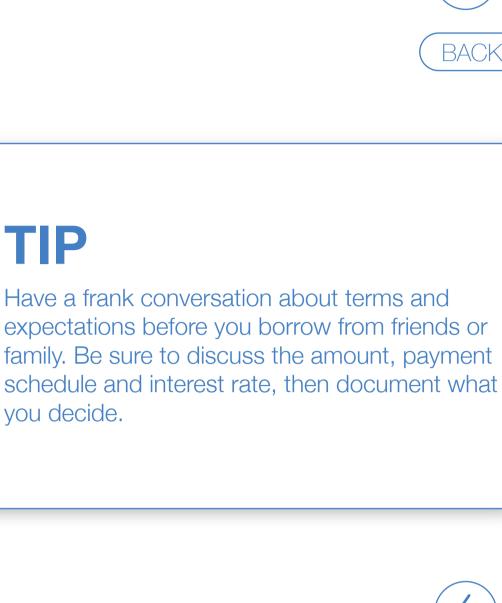
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PROS

LESS RED TAPE

ENCOURAGEMENT





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a vast pool of would-be donors. LOWER BAR Donors on a crowded funding site are unlikely to apply the same scrutiny to your business that a traditional lender would.

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CONS

IDEA THEFT

REGULATION AND FEES

If you use a third party platform to fundraise,

regulation as more traditional capital sources.

If you haven't trademarked your idea, there's a

chance someone with more resources could

chances are there are fees involved. Plus,

these sites aren't subject to the same

see it on a public site and steal it.

TIP

a last resort."

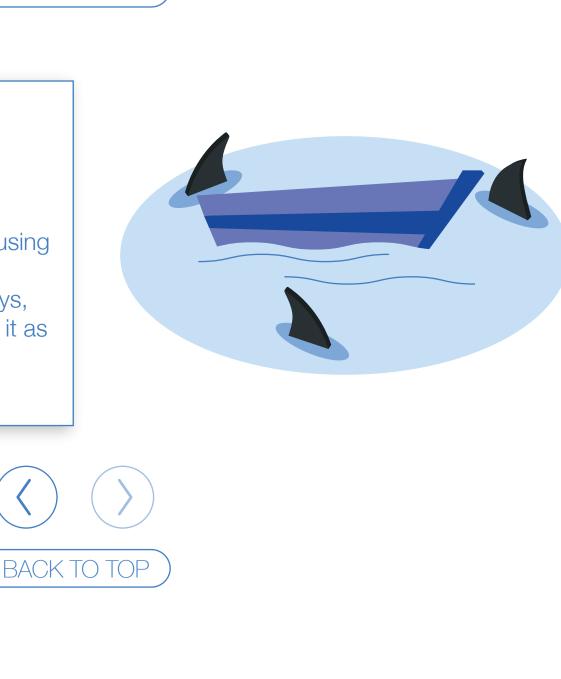
Read the fine print to understand what

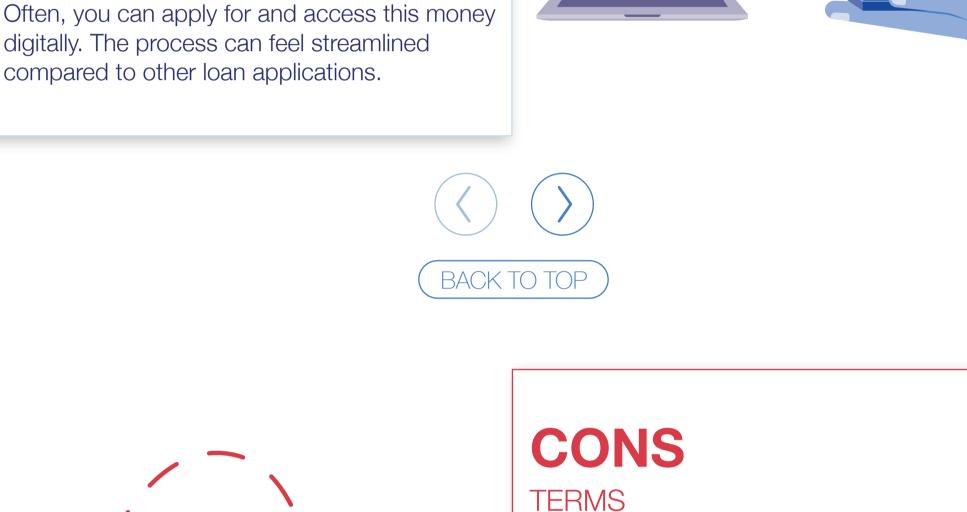
these sites. While they can be a great and

innovative source of funding, Tunbridge says,

"There's a lot of unknown risk. I would use it as

protections and liabilities you have before using





Many of these loans come with high interest

rates, or other fine print. Keep a look out for

These companies might not have the same

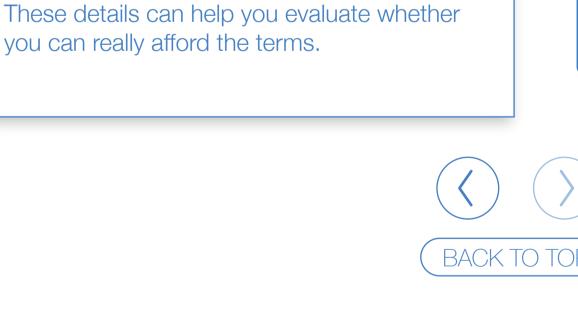
oversight and government compliance

programs as more established lenders.

amortization schedules, pre-payment

penalties and high premiums.

LESS REGULATION



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1. Time in business. Most banks require a business to be at least two years old. 2. Credit history. If you use one of the methods of funding discussed here to get off the ground, you can still build a credit history by using those funds to open a bank account and credit card for your business. If your business has no credit history, whether you

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MOTIVATION

liability. Create bank accounts and credit cards in your business's name, even if you use personal savings to fund them. "Business lenders look for a credit history for the business itself, in the business's name," says Eric Tunbridge, Senior Product Manager at U.S. Bank.

FRIENDS AND FAMILY

Your friends and family are unlikely to run a

credit check or ask for revenue projections.

It can be nice to feel like those close to you

support you with more than words.

Global investment through crowd funding is expected to reach \$96 billion by 2025, according to the World Bank. Fundraising is often done via a third party website, and investors often expect sample products, recognition or equity in exchange for their donation. While this type of fund raising is used for more than just business ventures, many of the most popular fundraising campaigns have been for new products or businesses.

Crowd funding platforms put you in touch with

PROS

WIDE NET

FinTech — short for financial technology — is growing in popularity. These startups tend to lend to businesses that might not qualify for a more traditional small business loan. To do this, they often use less traditional metrics for underwriting. For instance, one company looks at the number of UPS packages shipped and received. "They're causing banks to reevaluate how we do business lending. That innovation and change is good for the industry," says Turnbridge. **PROS**

If your business is unique, and traditional

metrics that banks look for are hard to produce,

FinTech can be a great way to access funds.

NONTRADITIONAL

CONVENIENT

Read the fine print. Be sure to make sure you

schedule, pre-payment penalties and more.

know the annual rate, the amortization

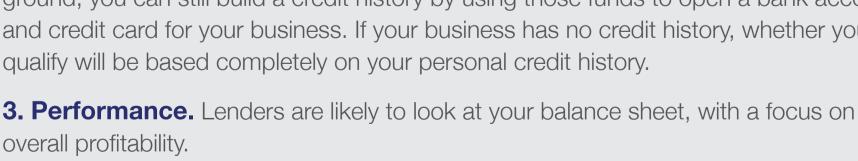
NEXT STEPS

overall profitability.

For U.S. Bank:

Interest rates and program terms are subject to change without notice.

If you're ready for a small business loan, Tunbridge says there are a few criteria that lenders are sure to look for.



For more details on obtaining a Small Business Administration loan, read this article.

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