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# The Rules for Raising Capital

*Are you ready to play the game?*

By: Aaron Dyer

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The team has practiced countless hours for this moment, putting every waking thought into honing their game plans. Every detail has been analyzed and innumerable days spent dreaming of the final moment where victory will be clenched. The only problem, there may be a great team with a seemingly fool proof plan for success, but the fundraiser for the uniforms, new stadium, and coaching staff salaries produced lackluster results. They need funds in order to realize their dream, just as you, the entrepreneur need a monetary infusion to make your own plans come to fruition. It's time to make a game plan for your financing needs.

The first step, is putting a number together that suits your needs. How much money, based on your detailed projections, do you need? Once you have that number, add a little bulk to it, as you never know what unforeseen and costly issues can arise. Don't go overboard, but cover yourself in one go. If you can work out a good deal for your funding, take it and run towards the goal. With success you can pay this back, but remember if equity is involved it can be a little more expensive and taxing on you and your business. If you sell a percentage of your company, in the short run it may seem like you're getting the best deal, but in the long run it could cause you more hassle and a greater loss of your own funds. It might prove to be an action that will

have you digging deeper in your own pockets sometime in the future in order to buy back that company share.



You should approach this entire financing process with an idea of what kind of sacrifices you're willing to make to achieve these extra funds. When you have a list of prospective financiers, deeply ponder who these individuals are, or what the source will be like as an involved partner in your company.

Active money is a term used to describe the type of financiers who will be working with you and your company. Passive money is self-explanatory, it is simply the funds, but you will receive no partner in the deal. While it may seem as though passive is more desirable, one thought to consider is the connections that can be made through an additional party being added to your company. Find out if your financier has valuable connections to offer, this adds value to such a transaction.

You want to be able to secure enough funds to launch, promote, and manufacture your product with the addition of incurred expenses in finding the right team to work alongside with you. Once you have a figure, add that to your average operational costs adding a security cushion of 6-9 months in operational costs. Your overall goal is to be successful, which will add value and reliability to your company. This will allow you to have an easier time securing additional funds in the future.

Another trap to steer clear of is the eleventh hour hustle. Don't wait until your financial situation is in dire need of an infusion, be proactive and raise the funds before they are needed. The time will inevitably come that you will be glad you had the foresight to take such action.

This planning will counteract the time lapse that happens between your loan application and the funds being transferred to you. On average, it can take one to two months for bank loans whereas SBA or Small Business Administration loans can

take up to six months. The ever elusive angel investment or venture capitalist can take anywhere from three to twelve months, as they go through their due diligence, so you must take this into account. You must factor in the timing for all these options and allow for best/worst case scenarios. Allow yourself at least six to nine months to raise funds, this way you won't feel the stress associated with the "need it now" mentality. In the end, you will be able to focus more on building your business while simultaneously thinking ahead.

One core value that should be retained through this process is "Don't settle". You may achieve funding, but in the end you will be kicking yourself if it involved selling off more of your company (equity financing) than you wanted, or you find yourself losing valuable years off your life due to constant conflict with an investor. You always need to consider the long term in every aspect of your business. Now, go out there and get the wheels moving on your plan for procuring funds!

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#### **About the Author:**

Aaron Dyer is President of Dyer Consulting Group, a small business consulting firm that advises business owners on ways to grow their revenues and increase profitability through better strategic planning and financial management. For more information, and also to sign up for Aaron's future articles, visit [www.DyerConsultingGroup.com](http://www.DyerConsultingGroup.com)

