

**How you Finance your Business is one of the most important decisions you will make. This Financing Options Guide is to help you think thru the many options available to you. We recommend you evaluate more than one before finalizing your approach.**

#### PERSONAL SAVINGS

You must invest in your own business. Even if you cannot entirely finance the business yourself, you must be willing to make a significant cash investment from personal savings and assets to show lenders/investors that you are financially committed. Although you can tap into life insurance policies, home mortgages, individual retirement accounts, pension plans, and credit cards to finance your business, be sure you understand the risks associated with these options and incorporate a strategy to return these funds within your business plan. Be sure to consider that better alternatives might be available and explore your options.

#### FRIENDS AND RELATIVES

Friends and relatives might invest in your business. They might loan you money interest free or at a low interest rate. To avoid misunderstandings, develop a written agreement detailing terms and conditions and showing a payment schedule. Contacting a Lawyer to ensure obvious "holes" in the agreement are fixed could go a long way in ensuring your Family & Friends stay friendly!

#### GRANTS

While Infomercials and advertisements suggest that "free money" is readily available from the government to help you start your business. This is not generally true. There are some government grants available for certain specific types of established businesses and/or innovative products in certain areas, but these are generally very specialized. Some foundations and organizations offer grants, but they typically fund nonprofit organizations rather than for-profit businesses. In short, very few grants are available for for-profit business, finding them can be a difficult, lengthy process, and the grant application process is usually very competitive.

For more information on the truth about grants, view:

<https://www.sba.gov/blogs/truth-behind-government-grants-small-businesses>

*\*Sometimes your local town or county may have a grant opportunity (typically around \$5,000 or 10% of a project involving the renovation or remodeling of a downtown building, etc.) Check with your local city/county to see what, if any, grant opportunities may be available.*

#### Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs

The Federal Government funds research and development of innovative ideas with potential for commercialization through these highly competitive programs. For information, talk with your KSBDC Advisor and view <https://www.sbir.gov>.

***\*Your America's SBDC Kansas advisor can help you navigate these very well-funded federal programs for innovators. For more information visit <https://www.kansassbdc.net/tech>***

#### To research additional grant opportunities, start with these sites:

SBA Loan and Grant Search Tool - <https://www.sba.gov/content/find-grants>

Grants.Gov (Federal funding opportunities) - <http://www.grants.gov/web/grants/outreach/about-grants-gov.html>

Foundation Centers User Friendly Guide - <http://fdncenter.org/findfunders/>

Kansas Department of Commerce Programs - <https://www.kansascommerce.gov/programs-services/>

Google it: you just never know, a grant for what you are doing might pop up out of the blue. Don't bet your whole financing plan on it, but if you have the time to periodically do a google search it may just pay off.

#### BUSINESS LOANS

**BANKS:** Many entrepreneurs turn to banks for financing. Your America's SBDC Kansas Advisor specializes in this and can help you.

#### FEDERAL GOVERNMENT LOAN PROGRAMS

**U.S. Small Business Administration (<https://www.sba.gov/loans-grants>):** SBA loan guarantee programs reduce risk to lenders, so they are more likely to offer financing. Work with your bank to obtain an SBA guarantee (or CDC for 504 loan). **Programs include:**

- **7(a) Loan Program** provides financing to businesses when they might not be eligible through normal lending channels. 7(a) lending includes express, export, rural lender advantage, and special purpose loan programs
- **504 Loan Program** provides long-term, fixed-rate financing to acquire fixed assets
- **Microloan Program** provides small, short-term loans for working capital, inventory, supplies, furniture, and other items
- **Disaster Assistance** provides low interest loans to repair or replace assets damaged or destroyed in a declared disaster

You can also work with these companies for business loan packaging:

**CDC's: Kansas Certified Development Companies** <http://www.kacdc.com>

Kansas CDC's assist businesses by developing loan packages that meet the financial needs of a project. These packages often contain more than one source of project funding, thus providing the small business customer with the best combination of rates and terms possible. To learn more and to find the CDC nearest you, view <http://www.kacdc.com>.

#### **US Department of Agriculture loan and grant programs**

USDA provides funding opportunities for rural small businesses through loans, loan guarantees, and grants. For an overview of programs offered in Kansas by the USDA, view [http://www.rurdev.usda.gov/KS\\_Home.html](http://www.rurdev.usda.gov/KS_Home.html)

For the regional office nearest your location, view [http://www.rurdev.usda.gov/KS\\_Home\\_Contacts.html](http://www.rurdev.usda.gov/KS_Home_Contacts.html)

**STATE LOAN PROGRAMS: NetWork Kansas Loan Programs** visit <http://www.networkkansas.com>

#### **StartUp Kansas (and E-Community for select towns/counties)**

The StartUp Kansas program & E-Community program provides gap financing. Applications must be submitted by a NetWork Kansas partner who provides match for the funds.

#### **Kansas Capital Multiplier Loan Fund**

Businesses can apply for matching loans up to 9% of the private capital invested. Private capital invested includes funding provided by financial institutions, certified development companies and other sources of private lending. Private capital also includes the entrepreneurs' investment and funds provided by angel investors and angel investor groups. The minimum loan from the Kansas Capital Multiplier Loan Fund is \$25,000, with a maximum loan of \$100,000.

#### **Kansas Capital Multiplier Venture Fund**

Under the Kansas Capital Multiplier Venture Fund, businesses can apply for a matching investment up to 9% of the private equity invested. Private equity includes funds invested by private equity firms and angel investors. The minimum equity investment contribution from the Kansas Capital Multiplier Venture Fund is \$25,000, with a maximum equity investment contribution of \$250,000.

#### **LOCAL LOAN PROGRAMS: LOAN PROGRAMS AND GAP FINANCING**

Check with your local town and county as some will have local loan programs, sometimes with more favorable interest rates or repayment terms. Your local Kansas SBDC advisor is usually an excellent resource on these locally available options, we're here to help so contact us today to learn more at [www.KansasSBDC.net](http://www.KansasSBDC.net) or (800)949-7661.

#### **VENTURE CAPITAL AND ANGEL INVESTING**

Venture capital is money provided by professionals who invest pooled funds in young, rapidly growing companies with an established track record. Most venture capital comes from institutional pension funds, endowments, foundations, banks, and other entities seeking to diversify their portfolio. Angel investors are usually wealthy individuals who invest in startups. Both venture capitalists and angel investors expect a high return on investment and often require the entrepreneur to relinquish controlling interest in the company. If you use venture or angel capital, hire an attorney to help with negotiations and be sure you understand the details of your agreement. For more information about venture and angel capital:

**National Venture Capital Association (NVCA)** <http://www.nvca.org/> the trade association representing the venture capital industry

**CROWDFUNDING:** funding a project or venture by raising many small amounts of money from a large number of people, typically by using the Internet. To successfully crowdfund, you will need a strong plan and solid marketing. There are three primary types of crowdfunding: donation/reward, lending, and equity.



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