

Tips for Borrowing Startup Funds from Friends or Family

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If you're starting a business that requires significant financial investment up front, finding a source of funding can be a challenge, especially since the average cost of starting a business is \$30,000. This is particularly true for young entrepreneurs who lack a strong credit history or don't want the hassle of dealing with banks or private lenders.

Once these startup entrepreneurs are done considering their options, it's not unusual for them to ask friends or family for startup cash. After all, unlike private investors or banks, these people know and trust you. It's possible they can get you quicker access to cash with fewer flaming hoops to jump through. On the flipside, if your business fails or you are tardy in repaying the money, you may be headed for some conflict with the aforementioned family and friends.

So what's the protocol for approaching an informal investor such as a friend, mentor, or even a family member? How do you work with them once you've secured an investment? Here are some key factors to consider:

1. Choose your Financier Carefully. Don't just turn to Dad or your best friend because that's who you know. Select someone with solid business skills

who knows the risks and benefits of what they are getting into. Remember, if your business doesn't work out and you can't repay your obligations, relationships will suffer. At the very least, narrow your list down to friends or family who have faith that you will succeed, who understand your plans and are clear about the risks.

2. Demonstrate Passion and Due Diligence. Having an idea is one thing but proving that your idea

is viable is another. Be sure you've done your research and due diligence before presenting your idea and asking for money. It's a good idea to write a business plan, even if it's a mini-plan that demonstrates the steps you've taken to research your market and work out your potential profitability. Most important, it should spell out what you need the money for.

3. Be Realistic About How Much Money You Need. Instead of asking for the maximum, consider what you need to get you to a certain point in your business strategy.

business strategy.

4. Decide What You Want – A Loan or a Share in the Business? Think carefully about this one. A loan will require repayment over time (which you'll need to be confident you can do) while a direct investment in your business is usually made in exchange for an active role in how the business is run. The latter can be helpful if you need mentoring guidance or "skin in the game" from someone who knows the business and can help you succeed. However, think hard about whether you want your family or a

friend involved in your business operations on a day-to-day basis. Likewise, what are the emotional consequences if you are unable to repay the loan? These are all things to think about.

5. Use a Peer-to-Peer Lending Service. To help keep business and emotions separate, consider structuring a loan through a peer-to-peer (P2P) lending company. P2P firms don't provide the loan; instead they act as an intermediary or broker between you and the per-

son who has given you the loan. You and your lender decide on the repayment terms and the P2P company manages the loan repayment on your behalf – for a fee. This eliminates the inconvenience of writing a check each month and also gives your lender confidence that he will actually see money being repaid without having to chase you.

6. Come up with an Agreement With a Repayment Plan. Even though you may know your lender or

investor well, remember that this is a business agreement. Treat it as such. The agreement should detail your business plan, how the funds will be used, how progress will be measured, and how repayment will be made. If the investment is a stake in your company as opposed to a loan, clearly outline the potential risks so your family and friends are 100 percent sure about what they are getting into.

Remember to show and communicate your business progress along the way, even if it's correcting mistakes you've made

SBA Accepting 2015 Awards Nominations

The U.S. Small Business Administration Seattle District Office is proud to announce that SBA's online portal is ready to accept nominations for its 2015 National Small Business Week Awards, including the annual Small Business Person of the Year award.

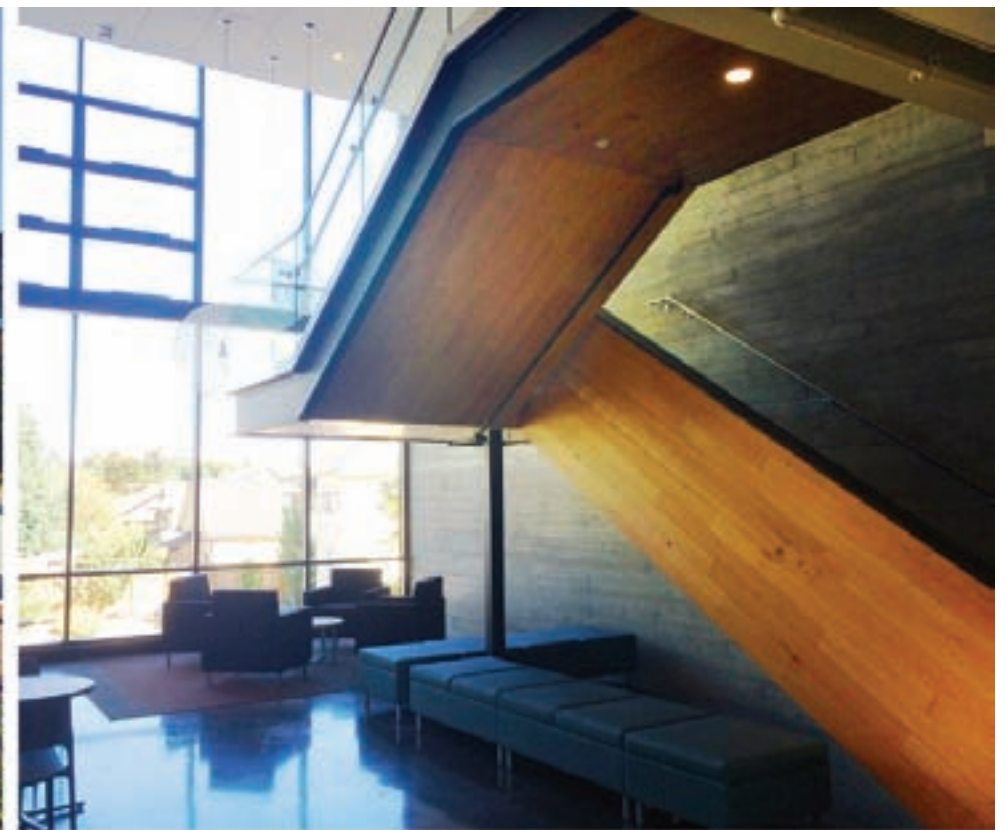
SBA has been following the mantra - Smart, Bold and Accessible in the way the agency conducts business. This is now the third year SBA has been using the online portal submission process, a great and smart improvement from years past. The improved dedicated web portal <http://awards.sba.gov> provides all the guidelines and has made it much easier to submit and track submissions of nominees for National Small Business Week.

Since 1963, National Small Business Week has recognized the outstanding achievements of America's small businesses for their contributions to their local communities, and to our nation's economy.

SBA Awards given include:
National Small Business Person of the Year
Phoenix Awards

Small Business Prime Contractor of the Year
Small Business Subcontractor of the Year
The Dwight D. Eisenhower Award for Excellence
SBA 8(a) Graduate of the Year
Exporter of the Year
Small Business Development Center (SBDC) Excellence and Innovation Award
Women's Business Center (WBCs) of Excellence Award
Veterans Business Outreach Center Excellence in Service Award
Small Business Investment Company of the Year

All nominations must be submitted online, postmarked or hand delivered to the SBA no later than 3 p.m. EST, Monday, Jan. 5, 2015. In addition to the portal, nominations can also be sent directly to SBA's Seattle District Office – for contact information visit www.sba.gov/wa, call (206) 553-7316 or visit in person at 2401 Fourth Ave., Suite 450 in Seattle and 801 W. Riverside Ave., Suite 444 in Spokane.



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