

BUSINESSES NEED CAPITAL

Your Plan by Kaya Morgan

Successful businesses are well planned and well capitalized. Being well capitalized is having the ability to access capital when you need it. Being well planned will help you to be well capitalized.

Many entrepreneurs lose valuable opportunities because they think the cost of raising the capital is too high. They spend too much time negotiating over the cost of the money, while their window of opportunity closes. Always try to cut a good deal with the investor, but the cost of capital should only be one consideration compared to the function of losses sustained by not having it. Simply, if it costs you one dollar in order to make two, are you actually ahead or behind?

Libraries and bookstores are full of financial "How To Books." We recommend you read as many as you can. These books will tell you about generic sources of capital, debt versus equity financing, business planning, goal setting, etc. The main topics you must not overlook should include: (1) What essential information to present to Lenders or Investors; (2) How to package your request to get noticed; (3) The format your presentation package should take; and, (4) What type of funding sources you wish to use to locate the capital you are looking for.

Unfortunately, statistics show that 90% of all new businesses fail. This can easily be a direct result of the failure to plan. Take the opportunity to plan and it can greatly increase your chances of success.

Funding can sometimes seem like an exhausting effort. However, it is a great exercise in showing your commitment and confirmation to the venture you need funding for. Your unceasing efforts are a perfect example of how you will deliver the same efforts to your investor. Remember, it is their money that will be at risk. You should be willing to do everything possible to show them that their investment has every opportunity to succeed, be repaid and turn a good profit.

If there are areas you have overlooked because it seems like too much work, that is another red flag that simply shows an investor your lack of commitment. So, be willing to do everything asked of you. The more questions you can answer up-front, the less questions you will be asked later.

Additionally, if you have overlooked items that are normally addressed in a business plan, it will appear that you have not taken into consideration all contingencies. That is another red flag to an investor that may make him question what other things you have neglected to consider. Remember, don't appear desperate, even if you are. The more you press an investor for an immediate response, the faster they run the other way.

One final word about presentation. Remember that your business plan becomes the image you will project to investors. If your idea is innovative, it may be difficult to come up with enough research, competition or certain projections to show you have done

your homework. Therefore, you may wish to begin sections on new pages in order to increase the look and size your plan. You may wish to include a color copy picture under a clear plastic as your cover page. Never use a three-ring binder. It's too bulky and heavy for an investor to carry around easily. Always have the plan spiral bound. This can be economically and easily done at any office supply store.

These are all normal and usual items that an investor will expect to see. So, if there is anything you have left out, now is the time to include it.

We have provided you this information in a sincere effort to support your search for funding and increase your chances for success. The best idea in the world will not fly without a good solid plan. Continue to improve on it whenever you can. Never give up in your search for funding as a perfect representation of how you will run your business.