

An overview of funding options

There are various funding options available for start-ups. Read about each of them below and think about which could work best for your business.

1

Personal savings

- This gives you full control and shows your investors that you're committed.
- This comes with a personal financial risk and might limit the growth potential of your business.

2

Crowdfunding

- You can use platforms such as Kickstarter, Indiegogo and GoFundMe.
- There are rewards-based crowdfunding options. This is where backers receive a product or service for free.
- There are also equity-based options. This is where investors receive equity shares.

3

Bank loans, overdrafts and credit cards

- To access these options, you'll need a solid business plan, collateral and good credit history.
- There are term loans. These come in the form of a lump sum with a fixed repayment schedule.
- There's also the option of an overdraft. This is where you can access money, up to an agreed limit, as needed.
- Credit cards can be used for everyday expenses. For example, travel costs.

4

Government grants and subsidies

- You might be eligible for these through the British Business Bank or a local government programme.
- Consider your focus areas. For example, certain grants are available for innovative, sustainable and minority-owned businesses.

5

Angel investors

- This is where high-net-worth individuals invest their own money.
- This might also open the door to the opportunity of mentorship and industry connections.

6

Venture capital

- This is where firms invest pooled funds in high-growth potential businesses.
- These firms might expect a significant equity stake and influence over business decisions in return.

7

Other options

- Peer-to-peer lending – loans facilitated through online platforms, such as LendingClub.
- Invoice financing – borrowing against outstanding invoices.
- Microloans – small loans from non-profit or community organisations.

Tips for securing initial funding and managing your finances

Securing funding can be a tricky process and you might not be successful in your first pitch. Use these tips to help increase your chances of securing the funding you need to get started.

Prepare comprehensive financial documents

Outline your budget, including all start-up and operational costs.

Provide forecasts, including realistic revenue projections and cash flow statements.

Improve your personal and business credit scores

Pay bills on time, reduce debt and correct any errors on credit reports.

Network

Attend investor conferences, pitch events and join start-up incubators or accelerators.

Prepare for your pitches

Develop a compelling pitch deck that highlights your value proposition, market opportunity and team strength.

Financial management practices

Use accounting software for real-time financial tracking.

Review your financial statements regularly to make informed decisions.

Understand funding terms

Carefully review interest rates, repayment schedules, equity dilution and investor rights.

Cost control measures

Negotiate with suppliers, consider leasing equipment and outsource activities that aren't at the core of your business.

Keep track of any discretionary spending too.

Seek professional advice

Accountants and financial advisers can help you with tax planning and financial structuring.

