

Getting Money to Start (Wrap up)

In our first show, we talked about where ***not to go*** for your first ask for money: banks, grant scams and questionable pitchfests.

On our second show, we covered becoming fundable, in other words, becoming a ready borrower. We've talked about ***order qualifiers*** as the Five "Cs" of commercial credit - **capacity, capability, character and credit, contribution and collateral.**

Next, we talked about ***order winners*** from our earlier shows:

- A well-articulated vision of success
- A pain need or gap with an attractive market
- An obvious market advantage
- A robust personal business network
- A barrier-free personal background
- A revenue history and a customer list

Today's episode - putting it all together to *get money*, and I'll share my favorite insider secret to help you borrow money from friends and family!

Your path to funding will be most fruitful if you proceed *intentionally*, as the yoga instructors say. Be intentional by having an *attitude of gratitude* and an *abundance mindset*. These tactics will help you stay focused.

Your first source of funds - look in the mirror

Believe it or not, most people bring home more money than they realize. Financial gurus have been making a living on this fact for decades. Once you take control of your finances, the results are quick and observable. Just stay tuned to KONP and Dave Ramsey, who follows us at 2:00, will tell you all about how to save money and build up your own financial resources. **When you bring your own money to the table, your credibility soars.**

Family and friends

After you've started building your own finances, it's time to reach out - but don't ask for money. First, share the pain, need or gap you've identified. Talk about

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how your vision of success addresses the issues. Share your minimum viable form plan. Talk about your savings efforts, and give your family and friends a little grace.

Let's compare two conversations

One - *Brother Todd! I have a great business idea, it looks like a sure winner and I need some money to get started. You know I'm good for it, what do you say, brother?*

Here's a more graceful approach

Two - *Todd, it's great to see you. Remember the headache you went through setting up that new ebike you bought online? I was checking around town and it seems like everyone who ordered an ebike online is having the same problem.*

I envision a business where I offer to receive orders at my warehouse, where I will assemble, tune and charge the bike for the customer.

I'm calling my business Bike Buddy. I've been building up my savings and I'm getting ready to try this out by offering assembly and setup at the customer's home.

I'll be beta testing my idea this coming July through September and then looking over the results in October. If this looks like a go, would you be interested in discussing a little family loan for the next phase?

Now, let's talk about making it easy for the lender

Just handing you the money is easy for you, but not for the person doing the handing. If only there was a way for your relatives to give you the money, and still keep it themselves.

And through the magic of a **secured loan**, there is!

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The basic premise is that you ask family members to purchase Certificates of Deposit (CDs) in a local bank. You use those CDs to negotiate a secured loan. You borrow money for your business using those CDs as collateral. For several reasons, this makes family lending a much more comfortable process.

- The CDs earn interest for your lenders in addition to any interest you agree to pay
- Your family members *still have their original funds*. This is very powerful, psychologically and makes subsequent family gatherings less uncomfortable
- Even if your business fails, you can still pay off the loan - and your relatives funds will be released by the bank as you retire the debt.

This is even more attractive for family members. Why? Schadenfreude! German for shameful joy. Who doesn't like to see a family member working off a family obligation?

Now we take our personal investment and our family loan and we approach that vendor for that 30 day trade account.

Again, two conversations

1 - Hey, I have a business idea, can I get a 30 day trade account?

2 - Hi, I've identified a need in an attractive market and I've started a business to fill that need. I've invested my own money and I have family backing for my project, too. How would I apply to be considered for a trade account to help me serve my customers? I have three orders right now.

You have three powerful points of interest here. You've qualified your business, you've provided background on your solvency and you've made a business proposition.

The fact that someone, anyone, has also loaned you money, is one of your most powerful tools in becoming even more fundable.

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So now we see two important waypoints on our path to fundability

1. We employed the capital mix approach of using many sources of funding
2. We can best progress through the funding opportunities in a structured manner, so each builds upon its precedent.

Now we'll go back to the business I proposed to Todd, Bike Buddy.

- I've been operating in minimum viable form with the money I put up and the secured loan I got from Todd (Thanks Todd!)
- I see an opportunity to move to phase two if I buy a piece of capital equipment. Let's say I'm getting lots of repair requests for bent bike frames.
- I've located a bike frame straightener that is just what I need and it costs \$10,000.

Now I take my fundability to a capital equipment lender and apply for a capital loan. I offer 25% or \$2,500 as a down payment. I include that I have my own capital, a secured family loan and a trade account with a supplier on my application.

Again, because I can show that others have trusted me with money, it's more likely that more people will trust me with money.

Now I'm so busy that I really need that warehouse I was talking about.

I'm perfectly positioned to discuss next steps in my vision of success with a bank:

- a vision
- I have a need, and an attractive market
- I'm barrier free
- I have a revenue history and a customer list
- Other people have trusted me with money
- My business is growing

If I don't go see a banker, a banker might very well come and see me! But wait, there's more.

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Let's say you're a typical American and you've moved away from your family. How can you get to step two, borrowing money from friends and family?

Make new friends! Let's go back to our earlier family and friends segment. What if you have a vision, a need and market, are barrier free and are saving your money, and are ready to make that next ask?

In our first money show, I warned you to avoid seeking money *where money isn't*. When you are looking for new friends, *go where people with money are*. Golf courses, yacht clubs, business associations, chambers of commerce, service clubs, etc.

When I was working on starting a local investment opportunity network here, there were many interested lenders looking to invest in the community. What was missing was borrowers, *borrowers who understood the concept of fundability!*

I'm sorry to say it, but many of the local business proposals were terribly weak. Because of this, lenders lost interest. The peer to peer lenders are out there, but many are frustrated by the low quality of the opportunities.

When you're looking for new friends, remember what my boss told me about that early stage investor meeting. Talk little, listen lots, and for heaven sakes don't ask for money — yet. Let people know you are new in town and excited to be there. Ask questions about the community, business observations and ask what the future looks like. Let people get to know you.

Eventually, someone will ask what you do. Your answer could be, "Right now I'm doing _____, but I'm thinking about starting a business here."

Chances are, as your new community gets to know you better, there will be people who take an interest. Promote your fundability, have an attitude of gratitude, an abundance mindset, and give your new friends a little grace, too.

The results just might surprise you!