# **Video Title:** 9 Startup Funding Options - Business Loans + More

**Video URL:** <https://www.youtube.com/watch?v=DCZbxJUpbvI>

**Run Time/Source:** 6.42, David Waring. FitSmallBusiness.com/YouTube

**Close Caption Available:** Yes

In this video, David Waring, CEO and Founder of FitSmallBusiness, discusses nine sources of funding for startup small businesses. Some of the sources include traditional funding sources such as bank and Small Business Administration (SBA) loans, while others include nontraditional sources such as credit cards and crowdfunding.

SBA and traditional bank loans are a great source though may be tough to get for some borrowers. The microloan program lets you borrow up to $50k and up to $250k through the community advantage program. Requirements are tough for many borrowers and the borrower will need to provide 30% of their business funding on their own.

Another option would be a rollover for business startups (ROBS). You must have to have at least $50k in your 401k account. The rollover allows you to start your business without going into debt and carries with it certain tax advantages.

Home equity loans and lines of credit are other good financing sources. Borrowing from these sources usually offers lower interest rates. Generally, the borrower must have at least 15% equity in their home.

Another source of financing can be your credit cards. Credit cards offer flexibility and often come with cash back rewards. Be careful, however, as they typically charge high interest rates.

Microloans from nonprofits can be another good source of financing. You will likely be required to have a second source of income, such as income from a full-time job, as well as a co-signer.

Peer-to-peer lenders provide three-to-five-year loans for up to $50k. Your credit score and personal finances will be key factors in determining whether you will be granted a loan.

Friends and family can often be a good source of financing. To allay family member concerns, be sure to develop a stellar business plan and provide a promissory note.

Crowdfunding is becoming an increasingly popular source of funding. Crowdfunding is based upon convincing large amounts of people to offer small amounts of money to fund a business venture. Typically, consumer products such as apparel and technology are most popular.

Angel investors and venture capitalists are the last source on the list. This option means your business will be debt free but remember you are giving up equity (ownership) in your business and some venture capitalists demand majority ownership. Remember, you need them more than they need you, so they have a stronger bargaining position. In general, angel investors and venture capitalists are seeking a return of ten times their investment.

Questions:

1. According to David Waring, what is the most difficult source of funding?
2. What is an advantage of taking out a home equity loan to finance your business startup?
3. Why would you ask friends and family to loan you money for your business?
4. What are the pros and cons of funding your startup venture through a venture capitalist?
5. Why would you withdraw money from your 401k retirement plan to fund your new business?