

Doron F. Eghbali Business Planning Law

How to Fund Your Start-Up Business

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It is very hard to get funding from banks for your start up when you have no or little track record. So, what could you do?

Well. There could be several options.

1. YOUR PERSONAL SAVINGS

Usually, the first source of starting up your own business would be your own cash. However, you should carefully consider the following:

- **Your Age and Family Obligations:** Exactly how much you should prudently spend on your business depend on how old you are. If you are in your mid thirties and have a sizable saving, you can afford to spend more generously on your business from your personal savings. However, if you are in your forties and you are the sole breadwinner of the family, you do not have as much discretion and leeway.
- **Do not Entirely Deplete Your Personal Savings:** You might need some of your money for unexpected expenses. In fact, be your business does not turn profits as you had expected.
- **Do Not Tap Into Your Retirement Savings:** Your retirement savings are sacrosanct. You do not touch them unless you feel absolutely obliged to do so. Not only you will lose an important source of financial security, you will also get penalized with taxes and fees. So, be extremely prudent.

2. FAMILY AND FRIENDS

Probably, the "love money" is the second most important source of funding for entrepreneurs. However, consider the following:

- **Forewarning Your Family and Friends:** Tell your family and friends they may never see their money.
- **Gift, Loan or Ownership Stake:** Make sure your family and friends understand what the money is for. Is it a gift, loan or some kind of investment in your business?

3. CREDIT CARDS

Credit cards could be very dangerous. Always, keep in mind you get the relatively easy money today, but think very hard to have to give it back tomorrow not that easy. In fact, educate yourselves about the potential risks associated with carrying [small business cards](#) or personal credit cards.

4. HOME EQUITY LOANS

Now, it is relatively harder to secure home equity loans. However, if you manage to obtain one, *ALWAYS* remember if your business is unsuccessful and you default on your loan you *LOSE* your home.

5. GRANTS OR CONTESTS

Although it is very difficult to find free money for your business, if you are diligent and innovative you might find some help. In fact, consider:

- **State and Local Government Incentives:** You might find some help if you invest in some undeveloped areas or struggling industries.
- **National Association for the Self-Employed Grants:** You might be lucky to obtain a grant from this association. Every penny counts.
- **Contests in Niche Industries:** Participate in contests held by big companies such as Dell or UPS. You might win cash, equipment or services.

***DORON EGHBALI** is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. He Primarily Practices Business, Real Estate and Entertainment Law. He Could Be Reached at: 310-651-3065. For More Information: www.LawAdvocateGroup.com.*