

How to Get Money to Start a Business

Kerry Hannon (McGraw Hill Connect, Yahoo Finance, New York Times)

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In April 2021, when Jenny Yaeger, 55, launched her Denver-based accounting and financial consulting firm for small -and medium-sized businesses, [ClariFI Business Solutions](https://clarifibusiness.com/)(https://clarifibusiness.com/) , she tapped her personal savings. "Downsizing was what made it possible for me to go out on my own," says Yaeger, the former chief compliance and finance officer at Wakefield Asset Management.

Yaeger, who is divorced, bought a condo with cash from her home sale and had enough proceeds to buy office equipment, pay for health insurance, hire a coach and bookkeeper and sign up for a women-focused co-working space. "Theoretically, my business can be run from my spare bedroom," she says. "But I've really found that I needed to be out and about. And being in the co-working space is great support and networking. There's a lot of women there building businesses; some have become clients and have referred me to others."

To fund her second-act business coaching new writers through the self-publishing process — [Nowata Press & Consulting](https://www.nowatapressllc.com/)(https://www.nowatapressllc.com/) — Dana Ellington, 54, of Kennesaw, Ga., pulled \$30,000 from a retirement account to cover its initial costs. She started the company as a side gig while working full-time as an office manager.

Tapping Savings to Start a Business

"I was not ready to take that leap full-time until the pandemic brought so many things into perspective," says Ellington. "The driving force was: I'm in my fifties and if I don't do it now, when am I going to do it?"

She crunched the numbers and knew about the tax penalties she'd owe to close that retirement account. But Ellington has another retirement account she plans to fund again once she starts making money with her

business.

Guadalupe Hirt and Barbara Brooks, who run [SecondActWomen](https://www.nextavenue.org/the-secondactwomen-founders-on-how-women-over-50-can-feel-invincible-not-invisible/)(https://www.nextavenue.org/the-secondactwomen-founders-on-how-women-over-50-can-feel-invincible-not-invisible/) — a Denver-based company helping women in their 40s and older start businesses, pivot careers and stay employed — used their personal funds to get their startup off the ground.

Funding a business in midlife these days can be challenging, and some methods are more fraught than others. [SCORE](https://www.score.org/)(https://www.score.org/) , a nonprofit affiliated with the Small Business Administration (SBA), publishes a free e-guide called "[Where's the Money? 10 Most Popular Financing Sources and How to Qualify](https://www.score.org/resource/wheres-money-10-type-s-small-business-financing-and-how-qualify) (https://www.score.org/resource/wheres-money-10-type-s-small-business-financing-and-how-qualify) ."

If you're in decent financial shape and have a tight business plan, you have numerous options to get money for a new company, including ones that didn't exist a few years ago.

Here are the main alternatives on how to find money to start a business:

Personal savings. Most entrepreneurs tap their savings to launch. But before you start diverting savings into your business, I advise setting aside at least a year's worth of money for fixed living expenses, including your mortgage and insurance essentials. That's because in the early days of a business, you may have to waive a salary for a few months until you gain a toehold and income starts coming in.

Fortunately, starting a midlife business doesn't have to require gobs of cash these days.

Starting a Business Can Cost Less Now



"The costs of forming business have collapsed in many sectors, so the tap into personal savings can be minimal, at best. You can spend a lot less than ten thousand dollars to get off the ground," says Jon Eckhardt, a University of Wisconsin School of Business professor and editor-in-chief of the Entrepreneur and Innovation Exchange (EIX) of the Schulze School of Entrepreneurship at the University of St. Thomas in Minneapolis. (The Schulze Foundation is a funder of Next Avenue.)

Friends and family. If you'll go this route, be straight up about the terms of any loan or grant and put everything in writing. Money can wreak havoc on family ties. Consider borrowing the cash for a certain period, say three years, with a low interest rate of around 3% (lower than a bank loan) or maybe no interest at all, and with some possible wiggle room if you need it.

Customer financing and consulting income. If your business will sell products, to raise money, you can sell some of them before you've made them, Eckhardt suggests. Also, he adds, "you can earn early revenue by selling your time through consulting; use this revenue to finance the business and learn about your customer needs."

Banks and credit unions. Banks are often frustratingly difficult when it comes to small business lending. Loan officers tend to make decisions based on an applicant's current, not future, income. And if you're just starting off, ahem, income is not exactly flowing in.

You'll need a firm business plan and a top-notch credit record to pass muster. Even then, expect lots of hoops to jump through.

Look for SBA-guaranteed loans. You can research potential lenders by checking the "Local Resources" page on the [agency's website](http://www.sba.gov/) (<http://www.sba.gov/>). SBA-guaranteed bank loans tend to demand a lower down payment than others, and monthly payments may be more manageable. Generally speaking, you'll need to demonstrate that you're investing in your business or have tangible assets like real estate to guarantee the amount borrowed.

Usa.gov, a federal government site, has info on short-term microloan and small-business loan programs in your state.

Angel investors and venture capital firms. These

make up the holy grail for many startups, but they're hard to score, particularly for women. Also, angel investors (individuals funding startups) and venture capital firms tend to have short time frames for expected results. In many cases, you must hand over partial ownership in exchange for the funds.

For more, check out the SBA's [Small Business Investment Company program](https://www.sba.gov/funding-programs/investment-capital) (<https://www.sba.gov/funding-programs/investment-capital>) (SBIC) for SBIC loans typically starting at \$250,000.