

10 Tips for Finding Angel Capital

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If you need financing for your business, angel investors could be just what you're looking for. Here are 10 tips for finding angel capital.

1. **Understand angels.** Angels are private investors or groups of investors who invest in small businesses. Unlike venture capitalists, who invest and manage other people's money, angels invest their own money.
2. **Determine whether your business is a good fit.** Angels often fund companies in the early stages, before they are ready to qualify for bank loans or venture capital, explains SBDC Business Advisor Nina Grooms-Lee.
3. **Know how much capital you need.** Angels typically fund anywhere from a few thousand dollars to \$2 million, says SBDC Business Advisor Mike Grimshaw. If you need more than \$2 million, angel investors may not be the right choice for you.
4. **Be prepared to give up some ownership.** Since angels generally provide funding in the form of convertible debt or in exchange for an ownership stake, Grooms-Lee says, you need to be comfortable with sacrificing some equity.
5. **Demonstrate potential for return.** Because they make riskier investments than banks do, angels expect a higher rate of return. You must be able to show how your business will make money, how the angel/s will benefit and a clear exit strategy.
6. **Pinpoint the right angels.** Angels often focus on certain industries, so you can improve your chances of success by targeting angels that specialize in your type of business. Tech and biotech, medical services and appliances, green products and services and social media tools are all popular industries for angel investment right now, according to Grooms-Lee and Grimshaw.
7. **Use all your resources.** You never know where you'll find an angel, so search both online and off. Grimshaw recommends visiting www.gust.com to find angel investor groups nationwide. Capital conferences, referrals from business contacts, and your nearest SBDC are good resources as well, says Grooms-Lee.
8. **Show your management strengths.** Unlike VCs, who may replace your management team, Grimshaw explains that angels often pick their investments based on a good management team already in place. Instill confidence in the angels by demonstrating your team's expertise and credibility.
9. **Be prepared with a strong package.** When you make your presentation to the angel/s, be ready with a clear, concise pitch and a well-thought-out business plan. Also use the meeting as a chance to understand the angels' approach and build rapport, says Grimshaw.
10. **Be willing to listen and learn.** In addition to capital, many angel investors provide resources, contacts and advice based on their industry experience. Don't miss out on the advantages this valuable knowledge can provide.

By Rieva Lesonsky

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