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How To Raise Funding: 4 Powerful Online Tools

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Today is one of the most incredible times in history to be an Entrepreneur or project owner. Startup costs are low. Talent abounds. Business platforms and solution providers are cutting prices to compete for your business and make life easy for you.

However, if you're looking to raise funding, it can still be a grind.

The good news is that there are powerful new ways to raise funding online. As technology and the web have been automating industries and have brought them online, fundraising and early stage finance have only recently started to move online, but are growing at an exponential rate.

It's estimated that there are roughly 28 million startups and small businesses in the U.S., and 560,000 new businesses are started each month. (U.S. census)

Below are some of the best tools available today to help you as an Entrepreneur raise funding to start or grow your business.

Funding Tool 1: Rewards Crowdfunding

Crowdfunding allows projects, causes, or business owners to take in small sums of funding from a large number of funders online in a fast and efficient way, and has grown so rapidly that it has redefined the fundraising world in just a few short years.

Here's a list of the [top 10 crowdfunding sites](#) for raising funding today.

The crowdfunding industry has grown exponentially from \$1.2 Billion in 2011 to over \$5.1 Billion in 2013. By 2025, the World Bank estimates that the crowdfunding industry globally will grow to \$96 Billion.

There are 2 general types of crowdfunding: rewards-based crowdfunding where participants donate or purchase items from the project owner, and equity crowdfunding where participants become investors/shareholders in a company in exchange for the potential for future financial returns.

Rewards-based crowdfunding is a great option for creatives and non-profits seeking funding and to grow and engage their community and supporter base.

Rewards crowdfunding can also a great tool for businesses that have a compelling product that consumers would be willing to purchase early on, often helping these businesses validate their idea and reach new customers through pre-sales of their product.

Funding Tool 2: Equity Crowdfunding

If you're looking for investors in your company in the form of equity or debt, you should know that [equity crowdfunding](#) is bringing the world of investing in startups and small businesses online and creating a more level playing field for both investors and entrepreneurs alike. (you can't actually become an investor on rewards crowdfunding sites like Kickstarter, only on [equity crowdfunding](#) sites like Crowdfunder and Circle Up)

Thanks to recent laws enacted under the [JOBS Act](#) and other rulings by the Securities & Exchange Commission, investing in early stage private companies has finally moved online.

Today, entrepreneurs have a tremendous opportunity to use online platforms like Crowdfunder.com or Circle Up to attract new investors for their business and streamline the fundraising process. But the process of raising funding can be confusing for the first time or at any time, so make sure and use some of the free resources available online including investment [term sheets](#) (what to offer investors) and [pitch deck templates](#) (how to pitch investors).

In equity crowdfunding and investing online, the opportunity today is currently limited to qualified institutions and accredited investors only. More on how equity crowdfunding works today with accredited investors under [Title II of the JOBS Act](#) here, but in short it's fairly simple to do online and only wealthier people or investment funds can invest today.

In the near future, the opportunity to raise funding from everyday citizens over the web could also be made available. Unfortunately, this opportunity has been delayed by the SEC for roughly 2 years, under [Title III of the JOBS Act](#).

A recent legislative effort by Congressman McHenry (R – North Carolina 10th), the sponsor of the first non-accredited crowdfunding Bill in the House of Representatives, called the [Equity Crowdfunding Improvement Act of 2014](#),

seeks to amend the proposed rulings to make them more workable for entrepreneurs and funding platforms, while maintaining proper investor protections. The Bill seeks to also compel the SEC to move forward with equity crowdfunding with everyday people in a more timely manner.

Again, here's a list of the [top 10 crowdfunding sites](#) for raising funding today.

Funding Tool 3: Peer-to-Peer Lending

The largest online funding source right now, which has been growing online for the longest amount of time, involves debt and lending.

Platforms like Prosper and Lending Club are helping connect people and businesses with lenders – often for smaller amounts of capital ranging from \$5,000 to \$50,000. For comparison, the average equity crowdfunding financings in the Seed and Series A stage of investments range between \$500,000 and \$2.5 million.

[This article](#) outlines briefly some of the benefits and challenges of taking on debt in comparison to equity financing in your efforts to raise funds.

Funding Tool 4: Personal Investments & Loans

One of the most recently developed, and potentially innovative, models to raise funds involves what are called “personal investment contracts” and personal loans. These can range from \$5,000 to several hundreds of thousands of dollars for personal investment contacts.

Basically, these are agreements where you either agree to repay a loan personally over time, or agree to share in a percentage of gross income on the money you earn over a fixed or open ended time frame.

Sites like Pave and others are forging the way ahead for these new personal loans or investment models.



Understanding Which Funding Model Is Right For You

The right way to raise funding all depends on your needs, where you think you and/or your business or project will be in the future, and what kind of income or revenue you think you'll be earning in the near and long term future.

When you are producing steady cash flow every month but are not likely to be bought or acquired for a huge return on the initial funding required to start the business, debt/loans can make the most sense.

For businesses that can grow exponentially over time, but have little or no short term profitability and cash flow, equity is often a more viable funding option.

If you have an idea or concept that isn't tested and you don't have any revenues, but you're looking for money to get it started, rewards or donation based crowdfunding can be an option.

Whichever you choose, best of luck in your efforts to raise funding.

**This is not to be considered legal advice. Please consult your own attorney, tax consultant, and business advisor to make your own decisions.*