



Week 4, Journey 5: Access to Capital

The Iowa Center Women's Business Center
Iowa Center for Economic Success



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Excursions

Debt Funding (25 minutes)
Equity Sources (4 minutes)
Capital Sources (24 minutes)
Banking Relationships (7 minutes)
Funding Pitches (13 minutes)
Angel Investing (9 minutes)

Total Time: 82 minutes

Debt Funding

Once you've established the need for debt funding to grow your business, the real questions begin: What are my funding options? How do I know which option is the best for me? How do I figure out how much money I need? What information will lenders need from me? What's negotiable in my loan offers? What can I do to improve my chances of securing a loan? This excursion within the Access to Capital journey will guide you through what you need to do to analyze potential sources of debt funding.

Explore Your Debt Funding Options

Review information about a variety of debt-funding sources, and weigh their pros and cons to assess which one best meets your business needs.

Preparing for Loan Underwriting and Examining Your Loan Agreement

Practice organizing the information/documents needed to apply for a business loan, and find out what to expect in a loan agreement.

How to Approach Debt Funding

Explore the process of estimating the loan amount you need to grow your business, and assess if you can afford that amount.

Conclusion – Debt Funding

There's a wide range of debt funding possibilities out there for you to pursue as a small business owner. The needs of both you and the lender play a crucial role in a loan agreement. Once you're going for that loan, you'll want to gather all your documentation and figure out how much money you need and can afford to borrow.

- Sources of debt funding include: family and friends, traditional banks, online banks, credit unions, credit cards, trade credits, finance companies, SBA-guaranteed loans and the Small Business Lending Fund (SBLF). When deciding which option is best for you, talk to other business owners and seek advice from your mentors and your local SBA loan consultants.
- In organizing the necessary information for a business loan (e.g., statement of purpose, business plan and financial documents), you're essentially addressing one main lender concern—will you repay the loan? Once you have a loan offer, make sure you're comfortable with all terms and

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conditions. Discussing the loan offer with a trusted advisor and/or a lawyer will help you figure out if the offer is credible.

- Calculating your debt service coverage ratio (DSCR) will tell how much loan you can afford. $DSCR = \text{Net Operating Income} / \text{Debt Obligations}$. The higher your DSCR, the better.

To continue your exploration

- [Lender Match](#)
- [Simple Loan Calculator](#)
- [Vets First Verification Program](#)
- <https://disasterloanassistance.sba.gov/ela/s/>
- [Annual Credit Report](#)
- [Bank Loan Request for Small Business](#)
- [Business Plan Template for an Established Business](#)
- [12-Month Cash Flow Statement](#)
- [3-Year Cash Flow Statement](#)
- [Balance Sheet Template](#)
- [Personal Financial Statement Template](#)
- [Business Loan Agreement](#)
- [Break-Even Analysis Template](#)
- [Funding for Small Businesses: How Much Working Capital Is Needed to Grow Your Small Business?](#)
- [SBA Funding Programs](#)
- [Finding Local Assistance \(Small Business Development Centers\)](#)

Interested in seeing if equity funding is an appropriate source of capital for your small business needs? Explore the Equity Sources excursion next.

Equity Sources

As your business continues to grow, you'll likely be searching for ways to finance this growth. Other than debt funding, another option is equity funding, in which investors own a share of your company. Here we will discuss a variety of avenues for equity funding available to you and your business. This excursion within the Access to Capital journey will guide you through what you need to do to analyze potential equity funders and deals.

- **Financing Your Venture**
 - Identify four different sources of equity you can use to finance your business: angels, venture capital, your personal network and crowdfunding.

Conclusion - Equity Sources

One alternative to loans is equity funding, in which investors provide capital to your business in exchange for a share of ownership. In seeking out equity financing, look for a strong match between your business and a potential investor.

- The financial technology (fintech) movement offers small business solutions that can enable you to digitally raise and manage money for your growth opportunity. Fintech facilitates all forms of equity funding: angel investing, venture capital investing, personal network and crowdfunding.

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Interested in weighing the pros and cons of equity and debt funding? Explore the Capital Sources excursion next.

Capital Sources

When you've spotted your business' next big chance to unfold in a new direction, odds are you're starting to think about the money it will take to get it there. Maybe you're leaning towards debt or equity financing. But where can you find the capital needed to fund this growth opportunity? This excursion within the Access to Capital journey will guide you through what you need to do to analyze funding sources appropriate for your business.

- **What are my options for funding sources**
 - Survey a variety of types of debt, equity, and other capital sources
- **Determining your funding source**
 - Finding the right source of funding for your business can be a challenging undertaking for any entrepreneur. Listen to this fireside chat featuring Dr. Patricia Greene, 18th director of the Women's Bureau of the U.S. Department of Labor, and Kathy Korman-Frey, who teaches Women's Entrepreneurial Leadership at the George Washington University, to learn more about the different ways you can fund your business.
- **How should I fund my business growth?**
 - Step back and compare potential funding options to find the best fit for your business' next growth opportunity.
- **Access to Capital with Killer Snails**
 - Check out how one small business used a program to help fund their company.

Conclusion – Capital Sources

From debt to equity and beyond, there are a number of ways of funding your upcoming business venture for you to look through and evaluate. Some keep you at the helm, and others require that you relinquish some degree of control over your business. Which financing option is right for you and your company at this time?

- When deciding how to finance business growth, consider a range of possibilities including self-funding, crowdfunding, loans and investors.
- Ask yourself questions about your business, you as a business owner, and potential capital providers before making a final decision. Where am I trying to go, and how much funding will I need to get there? How do I feel about debt or about sharing ownership of my business? How do my potential financing options differ from one another?
- Lay it all out on the table. Comparing aspects of different funding options side-by-side can help you get a sense for which may be the best match for your business's current needs.
- Killer Snails turned to the SBA's Small Business Innovation Research program when expanding their company. Think outside the box in your search for funding; there are many resources from the SBA and other organizations available to business owners like you.

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To continue your exploration:

- [Lender Match](#)
- [SBIC Director](#)
- [Types of 7\(a\) Loans](#)

Banking Relationships

Developing and maintaining a strong working relationship with your banker is beneficial to your business. Bankers can provide more to your small business than just funding, like guidance and support. Which banks or bankers have experience working with small businesses or with businesses in your specific industry? This excursion within the Access to Capital journey will guide you through what you need to do to develop banking relationships.

- **Building a Banking Relationship**
 - Plan to sit down with your banker and get to know them, even before your business needs capital.

Conclusion – Banking Relationships

All good business is built on the foundation of relationships. Take some time to get to know your banker and start to nurture the professional relationship. To do this, you can prepare your business plan and learn the language of finance, but it's just as important to earn the trust of your banker.

Your experiences with banks and bankers may differ from those of other small business owners. Learn from the banking relationships developed by your fellow entrepreneurs.

Bankers are not just lenders—they can also serve as trusted advisors as you go about growing your company. But not every bank or banker will be a great match. Seek out a banking relationship that complements your business needs to find a “win-win” for you and the banker with whom you choose to work.

Funding Pitches

Your funding pitch is one of the most important presentations you'll give as an entrepreneur. Here, get pro advice and practical examples on how to keep potential investors' attention and a slide-by-slide breakdown on what to include in your pitch deck. Explore and evaluate sample pitch decks from a variety of entrepreneurs, then create your own. You may even decide to enter a pitch competition for more opportunities to practice before the real deal. This excursion within the Access to Capital journey will guide you through what you need to do to prepare and deliver a funding pitch.

- **The Winning Pitch**
 - Examine key concepts to keep in mind when giving your funding pitch.
- **The Pitch Playbook**
 - Get slide-by-slide examples to help you build your pitch deck.
- **Make Your Pitch Unforgettable**
 - Explore the elements and pro tips that make a pitch deck stand out from the crowd.

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- **How to Prepare for Your Next Pitch**
 - Dig into a variety of sample pitch decks, craft your own, and then get more information on how to participate in a pitch deck competition.

Conclusion – Funding Pitches

A strong pitch is one of the crucial ingredients to securing the funding you need to get your next product or service out on the market. You've examined the components that make up a successful pitch deck and seen real-world examples from successful entrepreneurs. You've designed your business's funding pitch deck and have had the opportunity to practice your pitch in front of peers and colleagues. You're now equipped and ready to go out and start pitching to investors.

- Research shows that 93 percent of what people will remember from your presentation will be from your tone of voice and body language. With this in mind, it's clear that pitch skills are critical and that many other aspects of your business rely on them.
- The eleven key slides that make up the design of a successful pitch deck are: Problem, Solution, Market Opportunity, Customer, Business Model, Competition, Traction/Key Milestones, Team, Financials, The Ask and Testimonials.
- In your pitch deck, engage your audience with a story and get them excited about your product or service. Showcase your company's team and their skills. One handy tip from pitching veterans is to come in armed with answers/slides to address tough questions potential investors may ask.
- Most importantly, practice! Pitch deck competitions such as Dolphin Tank are an excellent opportunity to practice your delivery before going in front of your potential investors.

To continue your exploration:

- [Castle's Pitch Deck](#)
- [Square's Pitch Deck](#)
- [Best Pitch Decks: The Early-Stage Pitch Decks of the Hottest Funded Startups](#)
- [Creating Your Pitch](#)
- [Dolphin Tank](#)

Angel Investing

As you take your business to new heights, consider participating in the innovative growth strategies of entrepreneurs like you with angel investing. Angel investors can benefit a business with the capital, as well as the expert guidance, they offer. But you won't be alone—there are many materials and networks available to you as you go out into the world of angel investing. This excursion within the Access to Capital journey will guide you through what you need to do to construct your plan for becoming an angel investor.

- **Do I want to be an angel investor?**
 - Consider the impact of angel investing on the economy, as well as its potential risks and rewards.

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- **Design your angel investing strategy**
 - Decide on your own personal approach to angel investing.

Conclusion – Angel Investing

As an angel investor, you can have a stake in the business of another entrepreneur and play a role in the products and services taking the stage on the market. If you qualify as an accredited investor, you may have decided that you're interested in becoming an angel. Thinking through the angel investing approach you might take and talking with fellow business people about their experiences are great first steps to earning your halo.

- Angel investing can be risky and also rewarding—both in the financial returns you can get and the support and guidance you can give to another business. But it's an investment strategy, not charity.
- As you begin angel investing, take time to think about what your goal is, whether you will invest alone or with others, and other important details of your plan.
- By networking, you can share your angel investing experiences and learn from those of others.

To continue your exploration:

- [Updated Investor Bulletin: Accredited Investors](#)
- [Angel Capital Association Member Directory](#)
- [Angel Capital Association Events](#)
- [Angel Capital Association Past Summits](#)
- [Established Angel Group \(EAG\) Certification](#)
- [FAQs for Angels & Entrepreneurs](#)
- [New Angels Education](#)



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