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Editor's Note
 Once you've started a business that goes global and then sell up, what do you do next? Stuart Archibald is doing it all over again



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Brad Callaughan

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How should I fund my start-up?

I need a fairly large amount of capital to get my business up and running – I need equipment, premises and staff. I'm not sure, however, how much I should fund this myself by going into debt and how much to ask an investor for, if anything. How can I judge this?

The real question here is how much will an investor give you towards your business?

This will determine how much money you would invest yourself. If it is possible to find an investor who is interested in your company and will take an equity share and is not looking for a return on their money right away, it would be acceptable to take their offer.

This could be 100% to 10% investment at which you will have to find the remaining funds from another investors or another avenue.

Approaching an investor for finance is not for the faint-hearted though.

No one will invest their hard-earned money if they don't feel you have the right idea or don't have confidence within your abilities.

Given the investor will want to see you have committed funds to your start-up, you are going to have to go into some personal debt if you don't have access to cash funds.

Determining this balance will depend more on you.

If using an investor, you first must be comfortable to get into bed with someone else. Having an investor is like having a business partner (or being married).

You always have someone to answer to, someone watching your every move and tracking how you are spending their money.

If you want to source an investor, be prepared to give away 30-70% ownership within your company, depending on the amount you are asking them to invest.

Don't forget you approached them for money and you need them, they don't need you.

To be blunt, if you have the personal funds or access to them, it would be easier to use these funds and invest yourself.

This will mean you have 100% control and 100% ownership.

However, for some start-ups an investor maybe your only option, as you may not have the funds yourself and funding from a bank is not an option.

Unless you have a large amount of equity behind you, sourcing funds from the banks in this current market is almost impossible.

Brad has more than nine years' professional accountancy experience. He has worked in senior management roles within taxation and business services dealing with a number of clients from a range of business sectors. www.callaughanpartners.com.au

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