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## How to Fund Your Small Business

Dwight Hunt

[dwight@b3groupinc.com](mailto:dwight@b3groupinc.com)

(571) 206-0788



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*B3 Group: Innovation.Collaboration.Integrity.*

# How to Fund Your Small Business

- 1. Bootstrapping** – In the idea/experimental stage, use your own financial resources, such as money from a savings account or careful use of personal credit cards.
- 2. Friends and Family** – In most cases, these friends and family are investing in you, not your business. Both parties should think of this investment as a grant with no strings attached. If the enterprise succeeds, a reward to these risk-takers would be a nice gesture.

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**3. Crowdfunding** – allows for a wider pool of small investors with fewer restrictions and is ideal in the early stages of a business, especially if you don't qualify for a bank loan, aren't ready for angel or venture capital funding.

**4. Factor Funding** – a financial transaction and a type of debtor finance in which a business sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount. A business will sometimes factor its receivable assets to meet its present and immediate cash needs.

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**5. Angel Investors** – An individual – or a group of individuals who pool their research and resources – provides capital for a business start-up usually in exchange for convertible debt or ownership equity.

**6. Bank Loan** – To secure this loan, financial institutions will require several years of financial information on both the business and the entrepreneur. They will want collateral to secure and guarantee a loan. To facilitate the process, engage with the financial institution at the earliest stages of the enterprise—not necessarily for a loan at first, of course, but for a merchant account, credit cards and a checking account.

# Summary

1. **Bootstrapping** – use your own financial resources.
2. **Friends and Family** – friends and families invest in your business.
3. **Crowdfunding** – a small pool of investors invest in your business.
4. **Factor Funding** – a business sells its invoices to a third party.
5. **Angel Investor** – an individual/group of individuals provide capital for your business.
6. **Bank Loan** – a bank guarantees a loan with collateral from your business.

# Contact Information

Dwight Hunt  
President/CEO

B3 Group Inc.  
202 Church St., SE Suite 308  
Leesburg, VA 20175

Phone: (703) 277-7742

Fax: (703) 277-7730

Email: [info@b3groupinc.com](mailto:info@b3groupinc.com)