00:00:06 Raising capital is a greatly misunderstood part of small business. And as a result, most small businesses are seriously underfunded. This could be the greatest risk to your business, and it is totally solvable. Once you understand that money is necessary and that you have options to get the money you need, and that if you're making decisions regarding taking on debt or investment capital with your eyes wide open,

00:00:33 it's not that risky. In fact, it's more risky not to take on capital, not to take on debt. So to begin with, let me state clearly that with the right income model, you can find the resources you need to start and grow your business. The starting place is your commitment and that costs nothing. Next. You need to accept the reality that money is a fuel for your dreams.

00:01:01 That's all it is. We've been indoctrinated by a consumer culture and an educational system, and likely even our parents in most cases, to believe that we cannot be trusted with money, that debt is bad and that we should stay out of debt at all costs, unless it's for a college education, a home or a car, this is false. Your best use of credit of debt is to invest in your ability to create a valuable service or a product.

00:01:33 And then to build the business skills necessary to market sell and deliver that service or product with the right structure of legal insurance, financial and tax systems around it. And to support you, when you are able to do this, you will have turned your debt into an asset that you can use to pay back the debt and build ongoing yield or income over time,

00:01:57 which you can one day even sell for a harvest. In another lesson here, I will break down the best ways to take on debt, how to make the best use of your credit score and how to borrow, to build your business into an asset. Now, listen, we have also been indoctrinated to believe that raising venture capital or selling equity is better than taking on debt.

00:02:21 Somehow it's more acceptable, but it's not true. If you take on debt, you keep 100% of your company so long as you pay back the debt or structure your company in a way where it won't be taken away from you. Even if you don't and taking on debt is often a far less expensive than raising money by selling equity. Think about it this way.

00:02:46 When you sell equity, you have business partners who will only earn a return on their investment. When you are profitable enough to pay out profit distributions, or when you sell the company, this means they are invested in you making decisions that maximize short-term profits, or that require you to make decisions focused on selling the company in the future. These interests may be misaligned with the decisions that you want or need to make for the long-term success and viability of your business and your role as a creator of your economy.

00:03:21 So you should only sell equity in your company. When you have a clear exit plan or a profit model that has enough built in to make the investment worthwhile for investors and all the other stakeholders, including yourself, your team, and everybody you serve. In contrast, when you take on debt, your lenders, whether friends and family, or yourself from your savings

or retirement or bank or credit card company,

00:03:47 they're repaid a set amount of interest agreed to in advance, you can then incorporate that interest. Plus the payback of the principle into the pricing of your products and services and pilled in your time and money goals to include repayment of the debt. So to begin with, get clear on how much money you will need to build out the first level of your income model,

00:04:13 such that you're able to pay yourself to deliver a service or product with the pricing and packaging and sales and marketing and client service systems that you'll need. If you're not yet clear on your service or your product, or how to price and package your service or product, or how to market and sell your service or product, these can all be things that you may need to take on debt to figure out it's unlikely and investor would want to invest capital in exchange for equity until you have these things figured out unless they're investing in you and their belief in your ability to figure these things out based on your past history of doing so,

00:04:55 or because they know you well, maybe family and they want to support you. So whenever you are talking to a potential investor, it's important for you to understand why are they investing in you or your business? How soon do they need their investment back and do they want it back as a fixed percentage on their investment that's alone or in the form of profits and sale of proceeds in the future.

00:05:22 Then it's critically important that you document this understanding clearly with the support of a lawyer who understands the relationship between you and your investor, your growth plan, your deal terms and your exit or succession strategy. When you're raising capital, be clear on what you will use the capital for, how it will support you to take your next step, how your investors or lenders will be repaid.

00:05:48 And remember you truly are your best investment. You can build an asset in the form of your ability to earn consistent income, delivering a valuable service, or creating a valuable product to the people who need it and want it and investing in yourself to build that asset is very likely the very best investment that you can make. It might even be the best investment that your parents can make.

00:06:18 So whatever you do do not give away too much of your business in the form of equity too soon, simply because you're scared to take on debt. And at the same time, don't hold on to all of the equity of your company once it, when it's time to share so that you can bring on the right partners. Ultimately you will likely be happier with a smaller piece of a bigger pie,

00:06:44 but before you slice that pie, make sure you've got the fundamentals in place. So you aren't giving up more than is the correct amount before you give up any of your pie. Be sure to consult with a family business, lawyer, or LIFT business advisor who can guide you in your options and support you to establish clear agreements based on the fundamentals of your

current business,

00:07:08 where it's going now and where it's going in the future. You don't have to be afraid to raise capital. You don't have to be afraid to take on debt. You just need to do it with your eyes wide open. You deserve it. And so does your work in the war.