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[How to Raise Funds for Your Start Up in a Volatile Economy](#)

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Frozen credit market with relatively highly persistent unemployment and stringent regulatory environment have all contributed to volatility in our economy. Startup entrepreneurs are frightened as they have worked really hard on their business plans and yet they have difficulty raising funds. Still, refining your plans and adapting your business strategy accordingly might help raise the funds even in this market.

1. RAISE THE NEEDED MONEY OVER TIME

This is important to acknowledge the difficulty of raising all needed money at once. In fact, you should not be discouraged if you are rightly confident your [business plan](#) is the right one yet investors turn you down. The reality is that you should and often would raise the funds in piecemeal by forging long-term relationships and convincing potential investors your business is worth their money.

2. KNOW HOW TO NEGOTIATE WITH INVESTORS

Probably, in this volatile economy, investors are frightened too. They are frightened to lose their investment and walk away with nothing but a write off. This means you should be prepared to offer relatively more lucrative returns and even a larger equity to such investors in your [negotiations](#). However, the combination of debt and equity and how much you should raise are extremely salient business decisions. As a rule of thumb, you should never give away more than 20% to 30% of your company at the inception of your start up and you should raise some money now and some money later in form of debt and equity.

3. PREPARE TO JUST PAY FOR AWHILE TO NEARLY EVERYBODY

Combining the facts you often cannot raise all your money at once and need to spend heavily to acquire equipment, materials or even customers could be very challenging. This means you are not only burning through cash and not pocketing even paltry profits, you are also worried about whether investors maintain funding your start up business. Therefore, prepare yourself mentally and psychologically for such hard times. In fact, for awhile, you might be running your business on a shoestring with lots of personal sacrifices.

4. KEEP YOUR INVESTORS ABREAST OF ANY DEVELOPMENTS

The key to a long-term business relationship like any other relationships is TRUST. You develop trust by keeping investors whether they are friends or family, angel investors or venture capitalists abreast of any pleasant or unpleasant developments. It is much better to let your investors know you are having cash flow problems and your projections are not as rosy as you had prudently forecast. If they trust in you, then you can talk to them candidly and they listen to you with reasonable understanding.

BOTTOM LINE

- Raise money when you can with a combination of debt and equity.
- Prepare to pay premium to investors for their risk.
- Prepare to bleed cash in the beginning. And,
- Always, be forthcoming and accountable to your investors.

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