

# Attracting angel investors

**It's no secret. New entrepreneurs need cash...and lots of it. So consider approaching an angel investor for a portion of your start up funds.**

**Q: Who are angel investors?**

**A:** Angel investors are usually affluent people who dedicate a certain percentage of their assets to high risk start-up businesses for the prospect of earning a higher return than they could get through a bank, GIC or the stock market. Angel investors fit between the seed money that comes from family and friends and venture capitalists that usually only consider investments of \$1 million or more. Angel investors are putting up their own funds or that of a company or trust that they heavily influence.

**Q: What do angel investors look for?**

**A:** Angel investors want to see confidence and knowledge. Before you sit down to pitch an angel investor, think through what you are offering and what you want. Then prepare to share that information. Angel investors are looking for:

- **A Business Plan.** Don't even think about meeting with an investor until your business plan is solid. Keep it short and sweet with no more than 10 pages. Be sure to include detailed financial projections for the next two years. You can find a free downloadable business plan template, along with other start-up tools, at the Bell start-up centre. Visit [bell.ca/start-up](http://bell.ca/start-up).
- **Your personal investment.** They want to know what type of investment you are putting into your business. You can't expect someone else to invest unless you do. Your investment could be either money or assets, such as equipment and office space.
- **Share of the company.** Be prepared to offer up a slice of your business pie. Decide how much of a share you're willing to give in exchange for the money. Some investors will also want an active role in your company or to sit on your Board as an adviser.
- **Clear exit plan.** Look ahead five years to determine the big "pay off" scenario for an investor. Will you sell your business? Franchise? Go public? Investors want to know how they're going to get ten times their original amount out of your business.

**Finding angel investors.**

You have many contacts who might know a potential angel investor. So reach out to your network of family, friends, colleagues, bankers, professionals.... and let them know what you need. You can also research angel investors on the Internet or go through an investment broker.

**The deal.**

It would be unusual to secure an angel investor in one meeting. These are savvy business people who will work to their own schedule. Assuming that you grab their interest, they will hear your pitch, take away and scrutinize your business plan, return with questions, check facts and references and then, decide whether to give you the money you want at the terms you want.

Once you have nailed down the details of a deal, go to your lawyer and get the agreement written up to protect you legally.

If the deal doesn't happen, don't be discouraged. Try to learn why and use that information to improve your pitch to the next prospective investor.

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