

Why do I need a minimum funding goal, and what happens if I don't reach it?

As part of the disclosures required, the rules state that:

“If an issuer needs to raise a minimum amount to achieve the stated funding goal, they must disclose that minimum offering amount and how the issuer intends to use funds raised through the offering if the minimum goal is not met, or if they intend to return the funds if the goal is not met”

This minimum amount is set by the issuer. If you need \$50,000 for a piece of equipment, and you only raise \$10,000 – what will you do with the funds? If this amount doesn't let you purchase the equipment, can the money still be used to execute your business plan? If not, the funds should be returned to investors. This should be stated up front – transparency is key to investor trust. This is why it is good practice to keep funds in escrow or a separate account until the minimum is reached.