

What costs are involved?

Upfront Costs:

State Fees: \$200 filing fee

Portal Fee: \$ TBD –this will either be a flat/ongoing fee or a % of capital raised, typically 3-10%

All ways of raising capital cost something – upfront money, success fees, consultant costs, legal fees, and most importantly, your time. This is generally called ‘cost of capital’. Kickstarter for example has no upfront costs, but you pay 5% of your raise, plus about 3% through payment processing, resulting in a cost of capital of about 8%. That’s actually similar to many loans.

The cost of Angel and Venture Capital is an equity stake in your business, generally with some loss in control of the business. Similar to the CPO- offerings that are giving up ownership interest in their business in return for investor capital, you will be expected to give up some level of ownership of the business, anywhere from a few percentage point to majority interest, spread among the entire investor group.

Whether it is a debt offering or an equity offering, you are now inviting more people into your business to keep tabs on how it’s doing, you will spend time and money keeping your investors updated and you may need to allow them to have a say through board or advisory roles.

The real costs when raising capital come in terms of time and support when preparing your business plan, marketing plan and prospectus, and your time during the raise.

Finally, keep in mind that offering securities isn’t a case of “post it on the website and watch the money roll in”. You need to work for it. You need to attend events, manage your social media, engage your investors, and reach out to all your networks.