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What is An Angel Investor And How Do I Find One?

If you are in need of capital to get your business off the ground, you are looking for any source of money that you can find. If you don't have personal savings, or friends or family with a lot of savings, your next thought was probably a bank loan. Unfortunately, these days, banks aren't lending to many new businesses. Their underwriting standards are so strict that few companies will get approval for a bank loan.

Angel investors are people with a lot of money who are interested in investing in entrepreneurial businesses, usually at the start-up stage. They typically give you money in exchange for a share of your business but the money they invest in your business is a smaller amount than what you would receive from a venture capital firm (if you could get one interested in your company). Some angel investors join networks of angel investors who aggregate their investments and cut their individual risk. Angel investors usually invest in businesses involved in industries in which they have some knowledge. This also decreases their individual risk.

How do you find an angel investor? Start with your professional advisors – your lawyer, accountant, banker, and financial planner. They work with high net worth individuals and many professionals work with people in certain industries, getting to know who the players are. Let your professional network know that you are looking for an angel investor and ask them if they know anyone who is looking to invest in start-up companies in your industry.

Next, branch out to everyone else you know. Get the word out to your entire network of friends, acquaintances, church members, fellow soccer moms and Little League dads that you are looking for an angel investor. You never know who knows who. Someone who can say they know you (even a little) is more likely to recommend you as a good risk than a total stranger.

If your professional and personal network cannot come up with angels, you can search for angel networks on the internet. Many angel investor networks specialize in a particular type of product, either software, or biotechnology, or food. If there is an angel network in your industry, you have a head start. Be aware that angels tend not to invest in businesses where there is little prospect of the business getting very profitable in a short period of time and to sellable. Angel investors want to get their investment out fairly quickly.

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