# How to make “love money”

*Are you an entrepreneur? Maddyness has created a true kit of different steps to follow in creating, growing, and even selling your own start-up. From hiring to protecting your brand and moving on to financing your innovation, you will find tips and good practices so that you can easily find your way in the entrepreneurship labyrinth. In this article: some recommendations for making “love money”.*

Temps de lecture : minute

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## Too long? Here’s the key takeaways

- Choose the right people, they must respect your choices
- Warn the investors of the possible risks
- Convince them by using the tax advantage argument
- Don’t start raising love money too soon

## Choose the right people

Investors don’t always have the same goals as a startup’s founder, and this can cause tension. It is vital to choose the right people and make sure that everything is clear from the beginning. Just because a friend invested in your project doesn’t mean that they have the right to watch over your strategy and your choices.

In order to clear up any confusion, you can draw up a shareholder’s agreement. By establishing a hierarchy of decision-makers that is clear for everyone, the agreement allows you to set boundaries with the people who want to get a little too involved in your decisions. You should also write up the exit conditions in this document.

For entrepreneurs who don't have friends or family members who can invest in their project, there are investment clubs that connect entrepreneurs with investors such as the Startup Funding Club.

> "*Investors must let go of the control of their money. They don't have the rights to intervene in your business strategy.*"

## Know how to convince people

To convince potential investors, you will need to present your project to them. Put a lot of emphasis on the personal aspects and the team composition. At this point in your startup, people aren't investing in a future service or product, they are investing in you. So, don't hesitate to talk about yourself!

On the other hand, you must be as honest as possible. Tell them about the strengths but also about the weaknesses of the project. By betting on you, your friends and family are risking losing money and in order to avoid squabbles, they must be aware of what they are getting themselves into.

To entice them, you can also talk about the tax advantages reserved for certain investors. According to a government policy announcement in 2006, transferring cash into a family company is not subject to the initial inheritance tax charge of 20% if it exceeds the available nil rate of

£325,000.

Convincing them is no easy feat. Yet through this step, you can not only test out your idea, validate or modify your business model, and talk about your business, but love money also has the significant advantage of reassuring banks. An entrepreneur who is able to raise funds is more attractive to banks, who see them as someone serious about their project.

> "*Tax advantages that benefit investors is a great argument.*"

## Choose the right moment

Love money often only works in the beginning stage of a startup. To develop further, you will have to raise funds elsewhere. It will be easier to attract investors with capital that is not diluted yet. The research phase of love money shouldn't last too long before you start fund raising. The goal is to present yourself to future investors with the cleanest accounts possible.

It is important to discuss with your investors about the love money as well. It is a good idea to offer convertible bonds or refundable shares with warrants to investors. These shares can be refunded in cash and the refunds can be spread out over time. This also shows investors that you can be convincing and yet not fix a value too low.

> "*It is important have friends or family invest in*

> *your project not too long before you start your fund-raising campaign.*"

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