CROWDFUNDING: REWARDS AND INVESTMENT

Raising money from many people at once, either by pre-selling rewards or by letting your community invest.

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AT A GLANCE

- **Rewards crowdfunding** (like Kickstarter or Indiegogo): people give money in exchange for a product, perk or thank-you. No ownership changes hands.
- **Investment crowdfunding** (in the US, called Regulation Crowdfunding or Reg CF): people invest small amounts for ownership or a share of revenue, through a registered platform.
- Both work best when you **already have a community** that's ready to support you.

WATCH OUT

Investment crowdfunding is regulated by securities laws. In the US, you must use an SEC-registered platform, file required disclosures, and follow strict rules about how you advertise. Talk to a lawyer before you start.

Why it matters

Crowdfunding lets your customers and community fund you directly. A strong campaign proves demand, builds a customer list and creates publicity. For founders without wealthy networks, it can open doors that traditional investors kept closed.

Comparing the two

	Rewards crowdfunding	Investment crowdfunding (Reg CF, US)
Backers get	A product, perk or experience	Ownership, a SAFE, or a share of revenue
Who can take part	Anyone	Anyone, with investment limits for non-accredited investors
How much you can raise	No legal limit	Up to $5 million in 12 months
Rules	Platform rules	Securities laws, SEC filings, financial statements
Best for	Consumer products, creative projects, launches	Businesses with loyal customers who want to own a piece: breweries, restaurants, consumer brands, local businesses
Costs	Platform fees plus rewards and shipping	Platform fees, legal and accounting costs, ongoing yearly reports

Step by step: rewards campaign

1. **Build your audience first.** Most successful campaigns have an email list and social following before launch.
2. **Set a realistic goal** that covers making and shipping the rewards, plus fees.
3. **Price your rewards** so each one is profitable after costs. See **M-07 Pricing Your Product or Service**.
4. **Make a short video** and a clear page: the problem, your product, your story.
5. **Launch strong.** The first 48 hours matter. Line up early backers.
6. **Update backers** often, and deliver what you promised.

Step by step: investment campaign

1. **Talk to a lawyer and accountant** about requirements.
2. **Choose a registered platform** that fits your industry.
3. **Prepare your disclosures and financial statements**.
4. **Decide the terms**: what investors get, and at what valuation. See **R-15 Valuation: What Your Business Is Worth to Investors**.
5. **Rally your community** within the advertising rules.
6. **Plan for ongoing reporting** to your investors.

> EXAMPLE
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> **Marisol** raised $18,000 on a rewards platform for her taquería's food truck, offering "taco club" memberships and branded merch to 420 backers. Two years later, when opening a restaurant, she ran an investment crowdfunding campaign. 310 customers invested a total of $210,000 through a revenue-sharing note. Many of them became her most loyal regulars.

Common mistakes

- **Launching without an audience.**
- **Underpricing rewards,** then losing money on shipping.
- **Promising delivery dates you can't meet.**
- **Breaking advertising rules** in an investment campaign.
- **Forgetting the ongoing obligations** to investors.

Your checklist

- ☐ Decide between rewards and investment crowdfunding
- ☐ Build an email list of at least a few hundred people first
- ☐ Price rewards or terms with all costs included
- ☐ Talk to a lawyer if you're offering investment
- ☐ Plan your launch week and update schedule

Key words, explained

Word	What it means
Rewards crowdfunding	Raising money in exchange for products or perks.
Reg CF	Regulation Crowdfunding: US rules for raising investment from the public online.
Funding portal	An SEC-registered platform for investment crowdfunding.
Backer	Someone who supports a crowdfunding campaign.

Where to go next

- **R-15 Valuation: What Your Business Is Worth to Investors**
- **R-19 Telling Your Story: The Pitch**
- **L-05 Marketing Basics: Reaching Your First 100 Customers**

IMPORTANT
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