PROJECT UNDERDOGS FOUNDER LIBRARY · RAISING MONEY · R-01

THE MONEY MAP: EVERY WAY TO FUND A BUSINESS

All the main funding options by stage and size, what each one costs you, and how to choose.

TYPE: GUIDE REVIEWED: NOVEMBER 2026 TIME: 10 MINUTES LEVEL: BEGINNER

AT A GLANCE

- There are three basic kinds of business funding: money you **earn** (sales), money you **borrow** (debt) and money you **trade ownership for** (equity). Grants are a fourth kind that you don't pay back.
- The right choice depends on your **stage, type of business, and how much control you want to keep**.
- Most businesses use **several sources over time**, starting with savings and sales.

Why it matters

Founders often chase the type of money they hear about most, usually venture capital, even when it doesn't fit. Choosing the wrong source can cost you ownership you didn't need to give up, or saddle you with payments you can't make. Knowing the whole map helps you choose.

The map

Source	What it is	Best stage	You give up	See
Your own sales	Growing from what customers pay	Any	Nothing	R-02 Bootstrapping: Growing With Your Own Sales
Savings	Your own money	Idea, test	Personal risk	R-02 Bootstrapping: Growing With Your Own Sales
Friends and family	Loans or investment from people you know	Idea, test	Debt or ownership, and relationships at risk	R-03 Friends and Family Money: Doing It Right
Grants and competitions	Money you don't repay	Any	Time to apply; sometimes reporting	R-04 Grants and Pitch Competitions
Microloans and community lenders	Small loans, often with coaching	Test to early growth	Interest; personal guarantee	R-05 Microloans and Community Lenders
Bank and SBA loans		Running, growing	Interest; collateral; personal guarantee	R-06 Small Business Loans and SBA Loans

Source	What it is	Best stage	You give up	See
	Larger loans, usually needing history			
Equipment financing and lines of credit	Borrowing for gear or short-term cash	Running, growing	Interest; the equipment as collateral	**R-07 Equipment Financing and Lines of Credit**
Revenue-based financing	Repaid from a share of monthly sales	Steady sales	A share of revenue until repaid	**R-08 Revenue-Based Financing**
Crowdfunding	Many people give small amounts	Test to growth	Rewards, or small ownership stakes	**R-09 Crowdfunding: Rewards and Investment**
Angel investors	Individuals investing their own money	Early	Ownership	**R-10 Angel Investors**
Venture capital	Funds backing fast-growing startups	Early growth (tech)	Larger ownership, board seats	**R-11 Venture Capital: How It Works and Whether It Fits**
Private equity	Firms investing in established businesses	Growing, mature	Often a large or controlling share	**R-12 Private Equity: When Bigger Investors Get Involved**

How to choose

1. **What stage are you at?** Lenders want history. Investors want growth or a big opportunity. Grants want a fit with their mission.
2. **What will the money do?** Equipment fits equipment loans. Inventory fits lines of credit. Fast growth into a big market fits equity.
3. **Can the business make regular payments?** If yes, debt may be cheaper than giving up ownership. If not, equity or grants may fit better.
4. **How much control do you want to keep?** Debt keeps ownership with you. Equity shares it.
5. **How fast do you need it?** Grants and SBA loans can take months. Some online lenders are fast, but often expensive.

> KEY POINT
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> **Debt** is paid back with interest, but you keep your ownership. **Equity** doesn't have monthly payments, but you give up part of the business and its future profits. See **R-13 Debt vs. Equity: Borrowing vs. Selling Ownership**.

> EXAMPLE
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> **Tasha's** salon journey used five sources: savings to start, a $15,000 microloan for chairs and dryers, a $5,000 grant from a local foundation, an equipment loan for her second location, and later a small investor who bought 15% of the business to fund a third location.

Where Project Underdogs fits

Accepted founders receive a real first check from our fund. Terms are shared before you apply. Businesses that meet our graduation standard can be introduced to investors in our network for larger checks. See **UD-01 How Project Underdogs Works**.

Common mistakes

- **Chasing venture capital for a business that isn't built for it.**
- **Taking expensive short-term loans** to cover long-term needs.
- **Raising money before testing the idea.**
- **Not reading the terms.** The true cost of money is in the details.

Your checklist

- ☐ Write down how much money you need and exactly what it's for
- ☐ Decide whether debt, equity, grants or a mix fits
- ☐ List three sources that match your stage
- ☐ Read the guide for each one

Key words, explained

Word	What it means
Debt	Money borrowed and paid back with interest.
Equity	Ownership in the business.
Collateral	Something a lender can take if a loan isn't repaid.
Non-dilutive funding	Money that doesn't reduce your ownership, like grants and loans.

Where to go next

- **R-13 Debt vs. Equity: Borrowing vs. Selling Ownership**
- **R-25 Use-of-Funds Plan**
- **R-23 Red Flags and Funding Scams to Avoid**

IMPORTANT
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