

The EduPod Series

Raising Capital, Part I

Types of Investors

The descriptions below are intended to be high-level. Note that every company and investor are unique and there is no "one size fits all" in raising capital.

Friends & Family:

Close contacts who want to see you succeed. Affectionately known as the "Bank of Mom & Dad." These individuals are making investments from their own balance sheets. Keep in mind that along with personal investment comes new relationship dynamics.

Friends & Family are perhaps your most likely sources of funding to get started (concept or seed stage). This group is also likely to help you sustain your business during difficult times, which can fall at any stage of your company's lifecycle.

Angel Investors:

A more sophisticated investor than Friends & Family (typically), but similarly, they are investing their own capital. This group will have their own investment strategy and invest smaller amounts of capital as compared to venture capital. Angels may invest as an individual or as part of an angel group.

Keep in mind that Angel Investors are savvy in their approach, they expect a high level of professionalism, and in many cases will be a vocal or hands-on investor. Angels are typically a best fit for seed to early stage companies.

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Family Offices & UHNW - Ultra High Net Worth:

Family Offices and UHNW Individuals are similar to Angel Investors in that they are investing their own capital. These groups have significant wealth and will have their own investment strategy.

Family Offices are typically very difficult to gain access to. However, if you do have their attention, be prepared for considerable due diligence and scrutiny, and a long process. Family Offices will follow the same institutional rigor as venture capital.

Venture Capital:

Venture Capital funds are the most explicit groups that invest in entrepreneurial ventures. These groups will have hyper-specific investment strategies.

You should do your research as to the markets they invest in, what types of companies they have invested in previously, and how their portfolio is likely to be performing at this time.

Generally speaking for comparison, VC firms will invest more than an Angel. This type of capital is typically a fit for early-stage companies that are in the market or have a strong go-to-market plan. There are exceptions. Some VC firms have invested in concept or seed stage companies, unicorns have been discovered. Those scenarios, however, are outliers and uncommon.

If seeking venture capital, be prepared for considerable due diligence and a very high-level of scrutiny.