



## Capital Decisions for *Fueling* Expansion

Think back to your childhood.

It's a hot summer afternoon. You've got a folding table, a pitcher of lemonade, and a vision. Maybe your parents helped you buy the lemons and sugar. You probably hand-wrote a sign in your favorite sharpie color and duct-taped it to the front of the table. You set up on the sidewalk, hoping neighbors would stop by for a cup or a car would slow down to give you a chance.

That was your first business.

You learned how to price, how to pitch, and how to hustle. But what if you wanted more? What if you wanted to sell twice as much lemonade, or open a second stand down the street?

Suddenly, you needed more than just effort, you needed capital.

Maybe you asked your parents for a "loan" to buy a second cooler. Maybe you offered your little brother a 20% cut to help you expand. Maybe you reinvested your profits into better signage or a new flavor. Without realizing it, you were making real business decisions: when to borrow, when to share ownership, and how to scale without losing control.

Fast forward to today.

You're no longer selling lemonade, but the questions haven't changed. The stakes are higher now, but the principles are the same. Growth requires capital. And capital, when used strategically, becomes the engine that powers your next chapter.

Here are a few strategic approaches to raising capital effectively:

### 1. When, How Much, and Where to Use Leverage in Your Business

Debt typically has a very negative connotation to it. However, if you look at most large corporations, it is a strategic part of their balance sheet. Debt, when used effectively, can be a powerful growth tool. The key is knowing when to take on leverage, how much to borrow, and where to deploy it for maximum return.

When to Consider Leverage:

- You have predictable cash flow and strong margins.
- You're investing in revenue-generating assets (e.g., equipment, inventory, marketing).
- You want to preserve ownership while accelerating growth.

How Much to Borrow:

- Maintain a healthy debt-to-equity ratio (typically under 2:1 for growth-stage businesses).



- Stress-test your repayment capacity under different revenue scenarios.

Where to Deploy Capital:

- Sales and marketing expansion
- Technology upgrades or automation
- Strategic hires or operational scaling

Action Step: Work with a financial advisor or your CFO to model different leverage scenarios and assess risk-adjusted returns.

## 2. Selling Ownership

Equity financing can unlock significant capital, but it comes with a dilution of ownership. The goal is to raise funds while maintaining strategic control and long-term upside.

When to Sell Equity:

- You're in a high-growth phase and need capital to scale quickly.
- You're entering a new market or launching a new product line.
- You want access to investor networks, expertise, or strategic partnerships.

How to Structure It:

- Set clear terms around voting rights, board seats, and exit preferences.
- Align investor expectations with your growth timeline and exit strategy.

Action Step: Prepare a compelling investor pitch deck backed by a clear use-of-funds plan and financial projections. Also, clearly understand what your business is worth and what amount of equity you are willing to give up.

## 3. Going Public vs. Staying Private

The decision to go public or stay private is one of the most consequential for any founder. Each path offers different capital access, governance requirements, and strategic flexibility.

Going Public:

- Access to large-scale capital and liquidity
- Increased brand visibility and credibility
- Requires regulatory compliance, transparency, and investor relations



Staying Private:

- Greater control and flexibility
- Easier to focus on long-term strategy over quarterly performance
- Can still access capital through private equity, venture capital, or private placements

Action Step: Evaluate your long-term goals. Are you building to scale and exit, or to grow and retain control? Consider a private equity recapitalization as a hybrid option.

### Capital is a *Tool*, Not a Goal

Raising capital is not the finish line, it's a lever you can pull to build a more valuable, scalable business. The key is to align your funding strategy with your growth plan, ownership goals, and risk tolerance.

With the right capital structure, you can maximize the growth of the business you have already created. The key is not losing sight of why you are growing. Understanding what is important to you about infusing capital into the business will help you ensure that whatever strategy you choose is the correct one.

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Posted on September 10, 2025