ESBA

INVESTMENTS

VIDEO NOTES

My number one takeaway from this video

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WORKING WITH INVESTORS IN YOUR COMPANY

Invest[1].

transitive verb

1

a : *to array in the symbols of office or honor*

b : *to furnish with power or authority*

c : *to grant someone control or authority over* : vest

2 : *to cover completely* : envelop

3 : clothe, adorn

4: *to surround with troops or ships so as to prevent escape or entry*

5 : *to endow with a quality* : infuse

Receiving an investment and working with an investor is tied to emotions. The emotions don't have to be verbalized to be present and influential.

This is one reason why the self-awareness component of the course is so important!

[1] From the [Merriam Webster online dictionary]

If someone says they will ‘cover [you] completely’, how does that make you feel?

Look at your word choices that you wrote out.

For some people, those words evoke feelings of peace. Others feel panicked, suffocated. Perhaps even fearful because of traumatic experiences from childhood or even as adults.

Now write out what it would mean to you to be completely covered in the following areas:

Financially

Emotionally

Physically

Spiritually

Psychologically

For example, especially for men, having someone else cover their debts is an offense to their pride as men. Men crave respect and not being able to pay their debts is an affront to their self-respect.

Also, if someone who is providing financial backing to your business creates anxiety within you, that is a red flag that you need to evaluate.

Financial investors vary in the relationship they want in exchange for their finances. Some want control; a say in how decisions are made. Others only want reports that show growth in their investment. Still others know the risk of investing and expect a return but can deal with a loss.

Understanding that the relationship with an investor is more important that the funds is very important when taking on investors in your business. For this reason, many people work only with banking institutions. Know that money can come from many places and you do not have to say yes to the money if it ties you to the wrong investor type.

SEEKING INVESTORS

When evaluating a potential investor, consider the following criteria[2] before you sign on the dotted line to receive the investment[3] .

Valuation

What is my current company valuation & how did I get that number?

What money do I need, why do I need it, what will it be used for, and what am I willing to give up / away in exchange for it? Am I looking to share equity or royalties?

Can I validate the projected sales and cash-flow needs I am using in my valuation?

Is this something I could crowdfund instead? Is crowdfunding something I am open to? Why or why not?

How soon will the investor receive a return on their investment?

Relationship

What am I looking for in an investor? What type of financial stability, involvement, personality do I work best with?

Am I looking for money or a partner?

Am I ready to answer to someone else for how I spent my money and the ROI I have or have not achieved?

How do I respond when a spouse or colleague asks me about a bill or money spent?

[2] This is where your proforma comes into play.
[3] For a great source of additional questions, a simple Google Search for 'Shark Tank questions' will yield hundreds of questions you and an investor should know the answers to before beginning a relationship.

$500K IN 8 HOURS

Many movies today are based on real life stories about the money to be made on Wall Street, in cryptocurrency and other trends. Some investments last and others don't. However, the big wins are often accompanied by equally big personalities and lifestyles.

There are also the sad stories, like those told by Bernard Madoff's victims, that have cost really frugal people their life savings.

But *most* investors are more like Jake[4] . Jake is *barely* 30 years of age. He works a full-time job dealing with numbers. He's considered a genius with finances and numbers and analytics and gets paid for his brain. He is very calm and analytical in conversation. Jake is a fan of Dave Ramsey and MMM. He's very generous. But he's also frugal (he still rides his bicycle to work in the city) and he made his first million through old-fashioned hard work and savings.

But not his second million.

His second million he made through investments. His first investment came through an opportunity that lasted 24 hours. He put in $5k of his own money and watched it raise as high as just under a million, drop to $250k and then rebound. Once the rebound hit $500k, Jake was out.

Recounting the experience later, Jake shared that the emotional roller coaster was very intense, especially for someone who thought he would not have such emotions over money, especially not $5k.

[4] Name changed to protect client privacy.

Jake’s biggest takeaways for investing:

1. Know what you’ll spend, where your low limits and high limits are
2. Know your own risk tolerance level
3. Be solid with numbers
4. Know emotionally what you can handle - and handle losing.
5. Get your spouse on board.

BECOMING AN INVESTOR

Investing is different for everyone. Personality plays a big role.

Considerations for becoming an investor:

Business plan: **Will you do this full-time? Work with a partner? What type of investing will you do? Stock market, venture capital work?**

Business structure: **Will you use an LLC or another structure? (hint: LLC)**

Money management plan: **WIll you use your own money or that of investors?**

Exit strategy: **How will you determine that the ‘business’ of investing is worthwhile or should be discontinued?**

BEFORE YOU INVEST

Financial investment in others should come with an involved approach. There is little difference between investing in someone emotionally versus investing financially. At the end of the day, both involve other people.

Remember that at the end of each investment dollar is a real person making it grow or not grow. You've got to know why you're investing and how you measure success.

Because there are so many ways to invest, find out which is right for you based on your personality, quantitative analysis abilities, risk tolerance, investment style and more. Land versus stocks, small business start-ups and others comprise the market ripe for investors.

Get your finances in order. If you're personal finances are a mess, you're business finances will also be hard to manage.

Get the right support

Find a mentor in investment strategies or an advisor. Look for someone who's been investing for many years and has a good reputation with those they've worked with.

Considerations for investor relationships:

Time frame: **Are you looking for long-term or short-term investments?**

Legal: **What contracts do you need to have in place? What legal structures?**

Financial: **What money will you be investing?**

Relationship: **These relationships are for the long-term. Make sure you've done your homework on who it is you're working with and why.**

Guidelines: **Establish clear working frameworks for you as an investor. Define how you want reports, how you want to be involved in the investment and how you want to see change or implementation happen.**

SEEKING INVESTMENTS

Most people evaluate investments by the product that's being invested in. Gold, real estate or start-ups all capture the attention of investors. Workshops and seminars about about maximizing your potential profit in these sectors.

Unfortunately, there are 2 major pitfalls to this strategy:

People are often unprepared for the long-game of investing[5] . They don't know how to fully count the cost of long-term investments, deal with unexpected pitfalls and detours or have an overall game plan.

Investors are often focused on the product and not the process - and they fail to understand their role in the process. Products are inanimate objects. This means they're just a thing, like a vase in your house. It's the knowledge, skill, strategy and experience that the investor brings to determine if the vase[6] is a good investment.

[5] Luke 14:28-30 is a perfect example of this

[6] Consider a Ming vase. Knowing the period, the demand, the authenticity of the vase tells you it's value as an investor. BTW, there are no Ming vases in my house. Only unbreakable ones from IKEA.

Before you make an investment, consider the following questions:

What are my goals with investing?

What is my knowledge of this investment?

What is the expectation of performance for this investment?

Are there historical parameters on this type of investment to compare it to?

Why is it being recommended and how is the performance expectation being calculated?

What is the timeline of performance expectation[7] ?

[7] Most people want a 'get-rich-quick' investment, like Jake, where they make a great deal of money in a few house. These opportunities are rare and require a particular skill set. Consider focusing on a smaller and more consistent gain strategy.

What does the exit strategy look like for me?
Does it allow me to retain my initial investment?

How does it fit with the rest of my investments?

Does this investment diversify my investment choices?

What type of investment does this require from me with my time, money and timeframe?

When you understand that investing is a process and that much of that process depends on how well you know yourself, how you manage money and make financial decisions and how you play the long-game, you'll have a better framework from which to make decisions.