

# Crowdfunding Overview

Equity Crowdfunding is a modern way for businesses to gather funds by reaching out to potential investors over the internet. Instead of going to a bank or seeking out wealthy individuals in person, companies can share their story and financial needs online, where anyone interested can invest money. In return, investors get a small part of the company. This whole process is closely watched by government agencies to ensure that both companies and investors play by the rules.



## How It Works:

Different countries have their own rules, but the main goal is universal: protect the investors from scams and ensure companies are transparent about their finances and plans.

**For example**, the United States has specific laws, like the Jobs Act, that outline who's allowed to invest, how one can invest, and the operational standards for crowdfunding platforms.

## Types of Investors:

**Accredited Investors:** These are people with a lot of money and experience in investing. They're considered capable of handling potential losses without financial ruin. The exact definition varies by country, but it's typically the wealthiest few percent of the population.

**Non-Accredited Investors:** Essentially, this group includes everyone else who doesn't fit the accredited criteria but wants to invest in new ideas and companies.

## Platforms Connecting Companies and Investors:

Online platforms play matchmaker between companies looking for money and individuals wanting to invest. These platforms are tailored to cater to various investment sizes and industries, providing a secure environment for transactions.

## Risks and Rewards:

For Investors: The main risk is that the company you invest in might fail, leading to a loss of your investment. However, the potential rewards include earning money through dividends, a sale, or the company becoming publicly traded.

**For Companies:** Using crowdfunding exposes your business plans and financials to the public, which could be risky. Yet, it also offers a modern and

often more accessible method for raising funds compared to traditional avenues.

**For Directors/Officers:** Leaders must navigate legal complexities and potential risks in disclosing company information. The potential to access new sources of funding often outweighs these concerns.

## Starting Your Equity Crowdfunding Journey:

**For Companies:** Preparation is key. Ensure your business and financial plans are solid, engage with your audience on social media, and develop a compelling story for your campaign. Having a proactive PR strategy can significantly impact your campaign's visibility and success.

**For Investors:** Crowdfunding platforms offer a window into various investment opportunities. Interested investors can interact with companies, ask questions, and ultimately decide where to place their funds. Investments are safeguarded until the fundraising goal is met.

## How Platforms Operate:

Crowdfunding platforms are selective, focusing on quality over quantity. They require thorough business plans, financial audits, and background checks to ensure only the most promising companies are listed.

They don't just connect companies with investors but also provide tools and support to help businesses succeed in their funding goals.

## The Detailed Process:

Once a company qualifies, it can list on a platform, outlining how much money it needs and its plans for growth. Investors can then pledge their support. The process involves strict checks and balances, including holding funds securely until the campaign's success is confirmed.

Successful campaigns lead to investments being finalized, with investors becoming part-owners of the company. Failed campaigns mean investors get their money back, ensuring a level of safety in the process.

## In Conclusion:

Equity Crowdfunding is revolutionizing the way companies get funded and opening new investment opportunities for people worldwide. It's about leveraging the power of the internet to bring innovative ideas to life, democratizing investment in a way that was previously unimaginable.