

Aspiring Entrepreneurs and Angel Investors - A Match Made in Heaven

You're an entrepreneur. You've got an idea for a product or service that has the chance to grow into a very successful business. But morphing your idea from a concept to a cash-generating business requires funds - funds that you simply don't have.

Or perhaps you're an investor. You've been successful in life, and you have cash sitting in the bank. That cash is making money for the bank, but it's not making much for you. Or maybe your stock market investments have been anything but exciting - in a *good* way, that is.

So you're looking for alternatives.

You're willing to accept a bit of extra risk in return for potentially large rewards. And the idea of putting your money to work in breathing life into a struggling but worthy business concept is intriguing, offering more than just monetary rewards.

No matter which group you're in - entrepreneur or investor - the concept of angel investing might be your answer.

Angels On Broadway

The term 'angel investor' harkens back to the early days of Broadway, when wealthy businessmen would often invest in struggling Broadway shows. These investors were called angels, and their infusion of cash could help to keep a show in production long enough to gain the blessings of critics and the attention of the public. And if the show became a hit, the angels were handsomely rewarded for their investments.

In the 1970's a University of New Hampshire Professor, William Wetzel, applied the term to investors who helped to fund startup companies. The term caught on, and is now used to describe individuals who invest their own funds directly with companies that are usually in the startup stage, or just beyond.

It's a form of investment that has greatly benefited both investors and the companies that they help to fund.

The Numbers Might Surprise You...

You might be surprised to learn that angel investors are a big part of the world of business. Every year, angel investors fund roughly 60,000 startup companies to the tune of about \$20 billion dollars.

Currently in the United States there are more than 258,000 active angel investors. Investors within this group provide individual investments ranging in size (on average) from \$10,000 to \$100,000.

Five states lead the nation in terms of the percentage of the population that is composed of angel investors:

1. Washington, DC.
2. Nevada
3. New York
4. Florida
5. California

And just how are all of those angels faring with their investments?

On the whole, quite well! On average, angel investments return earnings of 23% of the original investment. That compares to 10% returns historically from the United States stock market.

Angel Investors Serve Many Industries

Angel investments provide life-giving funding for many types of businesses. But historically, six industries have received the bulk of angel investments in the United States:

- Healthcare/Medical - Receives 30% of funding from angel investors.
- Software - Receives 16% of funding from angel investors.
- Biotech - Receives 15% of funding from angel investors.
- Industrial/Energy - Receives 8% of funding from angel investors.
- I.T. Services - Receives 5% of funding from angel investors.
- Retail - Receives 5% of funding from angel investors.

The vast majority of companies that receive funding from angel investors are young companies. Roughly 40% of these companies are in the startup stage. And about 40% are past the startup stage, but are still early-stage companies.

Some angel funding is also provided to more mature companies, though on a much smaller scale. About 20% of angel investments are offered to companies that are beyond the startup or early stage, with 2% of that amount used to fund the expansion expenses of established but growing companies.

A Heaven-Sent Opportunity?

Lots of great companies have made the transition from concept to cash cow through the help of angel investors. Quite often the angels are vastly experienced businesspeople who supply badly needed expertise and wisdom along with cash.

And though the risks may be higher than with more traditional forms of investment, angel investments can pay huge dividends - both tangible and intangible.

So whether you're a wannabe entrepreneur or a wannabe angel, angel investing may provide just the heaven-sent opportunity you've been seeking.