

Separating Myth from Fact:

The Truth about Free Money and Grants
for Starting your Business





One of the most frequently asked questions we get at the Kentucky Small Business Development Center is, “Where can I find a grant to start my business?” The answer is usually that you *can’t* find a grant for your business. That’s why we created “Separating Myths from Facts: The Truth about Free Money and Grants for Starting Your Business.” This guide is meant to provide entrepreneurs with general information about the few grants that are available and tips on how to decipher between a credible program and a scam.

All though 100 % financing is not available and owner equity is generally necessary, there are numerous loan programs that cater to the small business community. KSBDC management consultants are highly knowledgeable about different funding opportunities and would be happy to help you identify legitimate funding sources.

As always, if further assistance is needed, KSBDC consultants are available. We have been providing one-on-one consulting, training and resources to Kentucky’s small business community since 1981. We can assist potential and existing business owners with business planning and the applications needed to get the funds they desire. We can also help with other management and operational issues such as strategic planning, marketing and employee retention. Our service centers are located throughout the Commonwealth. To reach the closest center, contact us at 888-475-SBDC or visit our web site at www.ksbdc.org.

A handwritten signature in black ink that reads "Becky Naugle". The signature is written in a cursive, flowing style.

Becky Naugle, Ph.D.
KSBDC State Director

The Myths

You've heard the advertisements that suggest the government will "give" you money to start or expand your business. Others purport to show you how to tap into the hundreds of millions of government and foundation grants available to entrepreneurs and small business owners, none of which ever has to be paid back. And still others claim over 1 million entrepreneurs each year get free money to start or expand a business.

You've probably even considered the legitimacy of these claims because of these promises:

- the company **guarantees** you'll get a grant or you'll get your money back
- you'll receive step-by-step instructions on how to write a winning proposal
- there are no special requirements and all taxpayers are eligible
- you'll get sample forms and extensive bibliography listings, government and private foundation source books and publications.

What you're likely to get is grant information with a catch: the organizations listed don't usually give grants to individuals to start or expand their own business. And, you may find it difficult, if not impossible, to collect on the "money back" guarantee.

The Facts

Every business owner would like to have a grant for starting or expanding a business. The fact is **no government agency is handing out free money** to start small businesses, regardless of your gender, ethnicity, or economic status. The harsh reality is that 95% of most small businesses are started with personal savings, loans from friends or relatives or commercial loans. The owner must invest their own money and collateral, because **100 % financing is not available**. The U.S. Small Business Administration (SBA) does **NOT** make grants to business owners though it does offer a wide variety of loan guarantee programs.

Some government grants are available for small businesses but they are designated for very specific programs such as:

- highly technical areas of industry
- schools and training programs
- other state and local government programs

For example, the Small Business Innovative Research (SBIR) program offers funding for small firms to perform cutting-edge research & development that addresses the nation's most critical scientific and engineering needs. These needs span the technology spectrum — from aviation and agriculture to medicine and manufacturing. SBIR is a federal government program administered by 10 federal agencies for the purpose of helping to provide early-stage research and development funding to small technology companies. SBIR funding is extremely competitive and has an intensive application process.

Grants that are available address societal problems. There is not a single list of grant providers. There are literally thousands of private and public funding sources. You can find information about grants at your local library and on the internet for free. Every funding source has eligibility requirements. If you do not fit the eligibility requirements they will not give you money. Every grant has required activities, if they are not carried-out, you may have to give the money back.

Grant Writing

Here are some tips to help if you happen to find a grant opportunity that fits what you do.

- Identify the right funding source. Grant applications must be responsive to the needs of the grant agency. You must **DO** what the agency is funding. This requires research into the granting agency and its requirements. For example an agency funding computer research will not fund you to start a retail store.
- Get the correct application forms. Legitimate grants normally have an identified application process and forms and they do **NOT** charge you fees to apply.
- Follow the application guidelines. Include the required information and meet the deadlines.
- Get help. There are web sites that can give you tips in writing a good grant application. Many times experts such as accountants or attorneys can add credibility to the application.
- Develop a well-prepared business plan that demonstrates your understanding of the business. This will help outline how your business will benefit the agency offering the funding.

Grant Resources

The following are legitimate resources for information about government grants and benefits:

The Catalogue of Federal Domestic Assistance

www.cfda.gov

Resource for identifying types of assistance and writing grant proposals

The U.S. Small Business Administration (SBA)

<http://www.sba.gov/services/financialassistance/grants/index.html>

Federal grant resources

The Foundation Center

<http://lnp.fdncenter.org/finder>

Use the Foundation Finder to search by name for basic information about foundations within the universe of more than 70,000 private and community foundations in the U.S.

Society of Research Administrators

www.srainternational.org/newweb/grantsweb/

Resource for government funding, general research, and private funding

Grants.gov

www.grants.gov

Federal government operated web site that is a source for finding and applying for federal grants.

The Federal Trade Commission offers these tips about grants:

- Be very wary of anyone who promises or guarantees they can get you a grant particularly if you must pay in advance for the service.
- If you are tempted to respond to one of these offers because of a money-back guarantee, be aware that they may impose so many conditions it could be difficult to ever get your money back.
- If you are experiencing financial problems and believe you may qualify for some kind of aid, check with your city or state unemployment or social assistance office.
- Check the Better Business Bureau and the state Attorney General's Office for complaints about a company before sending money.
- Advertising in recognized media outlets or on the internet does **NOT** guarantee the legitimacy of the company behind the ad.
- Do not provide sensitive information to someone you do not know.

Here are a few more things to remember about finding a grant:

- There is no substitution for a good solid business idea. No amount of money will make a bad business idea work. Do your homework and get good advice to determine if your idea is worth pursuing with or without a grant.
- If a business idea is not worth pursuing without a grant it probably is not worth pursuing the grant.
- If it is a true grant opportunity you will be able to find an application, guidelines or an organizational contact. Hearing that a friend of a friend got this grant is no guarantee that such a grant exists or would fit your business.
- Be very concerned if you are asked to pay to apply for a grant. They normally don't work that way.
- The time and effort spent seeking grants can often go a long way in helping you do the valuable research needed to start a business.
- Don't rely on money back guarantees without looking at the requirements. They can be designed so that it is nearly impossible to meet all that is required to get your money back.

Kentucky Small Business Development Center (KSBDC) is a network of centers throughout the Commonwealth dedicated to growing and improving Kentucky's small business community. Our mission is to strengthen Kentucky businesses and create economic growth by providing excellent management assistance, educational programs and helpful resources for Kentucky's small business owners and entrepreneurs.

KSBDC is a partnership between institutions of higher education, economic development organizations and the U.S. Small Business Administration.

Planning • Consulting • Training

Planning

KSBDC provides valuable tools to help entrepreneurs make informed business decisions when planning to open a new business, purchase an existing business or expand an established business. Each KSBDC service center has access to demographic information, market research, industry profiles, sample business plans and a variety of publications covering numerous business topics.

Consulting

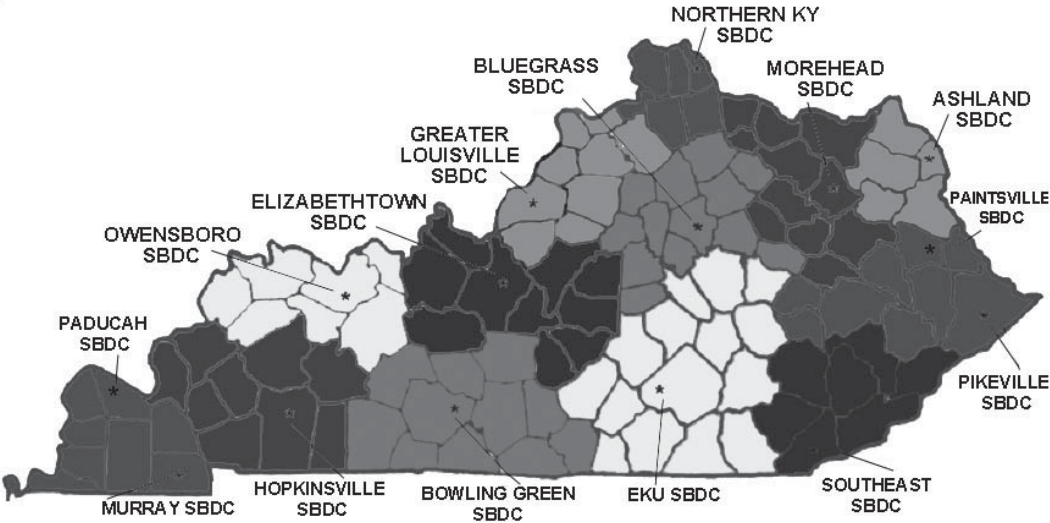
KSBDC offers free one-on-one consulting services. All of our management consultants have broad-based skills and significant experience as business owners and/or managers. Our consultants are qualified to answer questions and address a variety of topics, including:

- Developing a Comprehensive Business Plan
- Analyzing Cash Flow and Financial Projections
- Market Planning and Research
- Managing Human Resource Issues

Training

KSBDC offers an intensive schedule of affordable training workshops designed to provide start-up and existing business owners with the knowledge required to maintain and expand a successful business. A listing of training workshops currently being offered throughout the KSBDC Network is available by visiting www.ksbdc.org. Numerous self-paced on-line training courses are also accessible on our web site.

Kentucky Small Business Development Center Locations



888.475.SBDC (7232)
www.ksbdc.org



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