The Truth About Free Money & Grants for Small Business

One of the most frequently asked questions the Kentucky Small Business Development Center receives is, “Where can I find a grant to start my business?” The honest answer is that grants aren’t generally available for starting a business.

This guide will provide entrepreneurs with general information about the type of grants that are available and tips on how to decipher between a credible program and a scam.

There are numerous loan programs that cater to the small business community. You may not know that 100% financing isn’t typical or owner equity is generally necessary, but our knowledgeable KSBDC management consultants can guide you through the different funding opportunities and are happy to assist you in identifying legitimate funding sources.

Contact a KSBDC consultant by visiting www.ksbdc.org.

† The Myths

You’ve heard the advertisements that suggest the government will “give” you money to start or expand your business. Others claim to show you how to tap into the millions of government and foundation grants available to entrepreneurs and small business owners, none of which ever has to be paid back.

Perhaps you’ve 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 are likely to get is grant information with a catch and, you may find it difficult, if not impossible, to collect on the “money back” guarantee.

† The Facts

No government agency is handing out free money to start a business, regardless of your gender, ethnicity or economic status. The harsh reality is that 95% of 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 does NOT make grants to business owners, though it does offer a wide variety of loan guarantee programs.

Some government grants are available but they are designed 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. SBIR is a federal government program administered by 10 federal agencies for the purpose of providing early-stage research & development funding to small technology companies. SBIR funding is extremely competitive and has an intensive application process.

Available grants 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 on these sources at your local library and on the internet for free. Every funding source has eligibility requirements. If you do not fit the requirements you will not receive funding. 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 if you find a grant opportunity:

- Identify the 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 websites that can give you tips on writing a good grant application. 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 Catalog of Federal Domestic Assistance  
www.cfda.gov  
Resource for types of assistance & writing grant proposals

The U.S. Small Business Administration (SBA)  
www.sba.gov/category/navigation-structure/loans-grants/grants  
Federal grant resources

The Foundation Center  
http://http://lnp.fdncenter.org  
Use the Foundation Finder to search for basic information about more than 70,000 private and community foundations in the U.S.

Society of Research Administrators  
http://www.srainternational.org  
Resource for government & private funding and general research

Grants.gov  
www.grants.gov  
Federally operated website for finding & applying for federal grants

Protecting yourself and your investment

The Federal Trade Commission offers these tips about grants:

- Be 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 company’s legitimacy.
- 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.
- If a business idea is not worth pursuing without a grant it is probably 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 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.

KSBDC Can Help

Kentucky Small Business Development Center’s mission is to strengthen Kentucky businesses and create economic growth by providing the following services: no-cost confidential business consultations, affordable business workshops, seminars, and research to make informed business decisions.

www.ksbdc.org