

Separating Myth from Fact: The Truth About Free Money and Grants

The Myths

You've heard the advertisements that suggest the government will "give" you money to start or expand your business. Others profess 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 instruction on how to write a winning proposal
- You'll get sample forms and extensive bibliography listing government and private foundation sourcebooks 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. The U.S. Small Business Administration (SBA) does NOT make grants to business owners.

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

For example, the Small Business Innovative Research (SBIR) program of funding for small firms to perform cutting edge R & D 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.

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

If you find a grant opportunity that fits what you can and will do there are things that you can do to help improve your grant application.

- 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 websites that can give you tips in writing a good grant application.

Grant Resources

The Catalogue of Federal Domestic Assistance

www.cfda.gov/default.htm

Excellent resource for identifying types of assistance and writing grant proposals.

The U.S. Small Business Administration (SBA)

www.sba.gov/expanding/grants.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/

Excellent resource for government funding, general research, and private funding.

The Grantsmanship Center Winning Grant Proposal OnLine

www.tqcigrantproposals.com

Top ranked grant proposals with original proposal guidelines or the original Federal Register announcement.

Protecting Yourself and Your Investment

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.

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 contract. Hearing that a friend of a friend of a friend got this grant is no guarantee that such a grant actually exists.
- 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.