Angel Investors

An angel investor is an individual who provides backing to start-ups or early-stage companies. Angel investors typically invest their own capital rather than capital from institutions because the companies are too small for venture capital firms to be interested. In exchange for their funding, angel investors generally receive company equity, allowing them to participate in the future success and profits that the company generates. The amount of equity an angel investor receives can be negotiated between company executives and will depend on the amount of risk the angel investor is undertaking.

Angel investors are commonly successful entrepreneurs or former executives that bring experience and connections to assist the company in reaching future goals. These investors often mention the amount of risk inherent in the ideas presented and will therefore negotiate to mitigate some of the risks they see. Some good examples of angel investors are featured on the popular TV show “Shark Tank,” where these investors assist monetarily and with their industry connections and experience with innovative companies.

It should be mentioned that many of these early-stage companies can fail, and angel investors will lose the majority, if not all, of their investment. However, some of the angel investments will succeed and offer the potential for the angel investor to have extremely high returns. Understanding the risks associated with angel investments through research and due diligence is essential before investing in a small, early-stage company.