



LESSON 8: FINDING AN INVESTOR & SECURING A LOAN

WIN GRAHAM

OBJECTIVES

- > Students will be able to **define** the term investor.
- > Students will be able to **identify** and **secure** an investor for their hot chocolate business

MATERIALS & SET-UP

- > Writing utensil
- > Participant Guide

KEY TERMS

- > Interest: a charge for borrowed money; generally a percentage of the amount borrowed
- > Investor: a person who lends money in order to earn a financial return
- > Loan: a thing that is borrowed, especially a sum of money that is expected to be paid back with interest

WARM-UP:

- * Ask students to think of one sentence using the words “Entrepreneur” and “Profit.”
- * Prompt students to turn to their partner and share their sentence.

ACTIVITY 1: WHAT IS AN INVESTOR

- * Prompt students to follow along on the Key Terms: What is an Investor? section of their Participant guide on page 19
- * Read the definition and context sentences for the term aloud.
- * Prompt students to turn to their partner and share in their own words what they think this definition means.
- * Call on students to share their understanding with the class.

ACTIVITY 2: GETTING AN INVESTOR

- * Explain to students that if they need money to start their business, they will need to ask an investor for a loan. Remind them that they will have the opportunity to present their business plan to a group of local bankers at Shark Tank Live
 - * Prompt students to refer to their budget worksheets in the workbook to review the amount they will need to borrow.
 - * Identifying an Investor
 - * Prompt students to locate the Finding an Investor section on their worksheet.
 - * Prompt students to list three financial institutions they could ask to be their investor.
 - * Securing an Investor
 - * Prompt students to locate the Securing an Investor section on their worksheet. Discuss the importance of an “elevator speech” – a brief statement about your business and why it’s special; called an elevator speech or pitch because it should last no longer than the average elevator ride.
 - * Prompt students to answer questions 1-5 in the Investor Role Play on their worksheet.
 - * Prompt students to turn to their partner and role play, giving each partner an opportunity to be both the investor and the entrepreneur.
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- * Discuss factor that influence/impact a business’ credit score
 - > Credit Report
 - > Net Worth Statement
 - > Prompt student to complete the lesson found on page 20. Then have students estimate their total repayment based on the interest rate determined by their credit report.
 - > Prompt students to turn to the Finding an Investor section of their Entrepreneur Workbook. Have them complete the Business Loan Agreement.

HANDOUT – PG19

HOT CHOCOLICIOUS LESSON 8: FINDING AN INVESTOR & SECURING A LOAN



ENTREPRENEUR'S NAME _____

KEY TERMS: WHAT IS AN INVESTOR?

TERM	DEFINITION	CONTEXT
Investor In • vest • or	A person who lends money in order to earn a financial return	<p>1) I didn't have enough money to start my business so I got an <u>investor</u> who loaned me the money I needed.</p> <p>2) My <u>investor</u> and I agreed that I repay the amount she loaned me plus 10% interest.</p>

FINDING AN INVESTOR

An investor is important because you need money to start your business.

List three financial investors you could ask for a loan to start your Hot Cocoa business:

SECURING AN INVESTOR

In order to get an investor you have to get them excited about your business! You have to make them believe in your ideas so that they feel comfortable letting you borrow money. Think about what you should include in your "elevator speech" (a brief statement about what your business does and why it's special).

INVESTOR ROLE PLAY

Practice what you'll say to an investor by role playing with a partner, using the following sentence starters (answer the questions before practicing):

1) You should invest in my business because _____

2) What will make my stand different is _____

3) Your loan will help me reach my goal of _____

4) I will work hard to earn the money to pay you back by _____

5) If I am unable to repay my loan and interest, I will _____

HANDOUT – PG20

HOT CHOCOLICIOUS LESSON 8: FINDING AN INVESTOR & SECURING A LOAN



ENTREPRENEUR'S NAME _____

EXPLORING THE COST OF BORROWING

PART I

Directions: In the Planning & Budgeting section of your workbook, you estimated how much money you will need for your hot chocolate Stand. Use this amount to answer the questions below.

How much money do you plan to borrow? (Maximum of \$150.00) _____

How long will you have the borrowed money before you repay your investor? _____

Based on your credit rating, what is the interest rate you should pay for your loan? _____

How many payments will you make to repay your investor? _____

PART II

Directions: : Complete the table below using the ONLINE CALCULATOR to explore how the amount of a loan, the interest rate and the length of the loan affect the payback amount. Then use the last three lines to estimate your actual loan based on your budget, credit rating and length of loan.

PRINCIPAL AMOUNT BORROWED	RATE	(MONTHS)	TOTAL AMOUNT TO REPAY	AMOUNT OF INTEREST
\$50	2.5	6 months	\$	\$
\$50	3.5	6 months	\$	\$
\$50	4.5	6 months	\$	\$
\$100	2.5	6 months	\$	\$
\$100	3.5	6 months	\$	\$
\$100	4.5	6 months	\$	\$
\$150	2.5	3 months	\$	\$
\$150	3.5	3 months	\$	\$
\$150	4.5	3 months	\$	\$

Use the information from the table to complete your “Hot Chocolicious Business Loan Agreement.”



BUSINESS PLAN

- * Instruct students to work on pages 16 and 17 in their workbook in their groups. Walk around to each group to see if they have questions, concerns, roadblocks, etc.
- * Distribute “**BUSINESS PLAN TEMPLATE**” to each group.
- * Review deadlines with the groups, and write dates on the white board/flip chart. Inform students to complete the “**BUSINESS PLAN TEMPLATE**” and submit.

