The Science of Becoming a Female Investor

The Secret Guide to Becoming a Wealthy Female Investor

By: Rose Vitale

Introduction: Women Helping Women in Business

It's no secret that women in business just don't get the same treatment as men. According to American Express's 2019 State of Women-Owned Business Report, women own about 40 percent of businesses in the U.S. Yet, when it comes to getting capital, women get far less funding than men. The same study found that women who apply for bank loans for their business get, on average, 45 percent less money than their male peers.

This is unacceptable.

Why are women starting more businesses than ever yet getting less funding and fewer opportunities than men? How can women successfully scale their businesses to support employees and make more money? How are women entrepreneurs supposed to succeed when the odds are stacked against them?

The answer is that women business owners need to connect with women investors who want to help women build their businesses through capital investments.

The only problem is that most women don't understand how to invest because they haven't been properly educated or trained on the topic.

That ends today.

I'm on a mission to fill the gap between women business owners and investors by bringing them together through Female Angel Investor, the only network in the world dedicated to educating

women about how to become an investor through online courses, webinars, in-person events, and networking opportunities.

The best way for women to learn how to invest is by talking to other women who have successfully navigated the world of investing. As an entrepreneur and investor, I had to learn it all on my own, and I made a LOT of mistakes along the way. I know that learning curves can cost a lot of money, which is why I'm passionate about giving women the tools and resources they need so they can avoid the mistakes I made and have more immediate success.

Through Female Angel Investor and Women in Business Podcast, I connect women entrepreneurs with women investors to bridge the gap of knowledge and take the mystery out of investing. I believe that when we work together, women can do anything.

The Power of Women Helping Women

I'm not the only one who believes in the power of women helping women. New research shows that, unlike men who can succeed with one central network, women need dual networks to successfully land top positions in companies.

According to one of the study's lead authors, women, "more than men, need to maintain both wide networks and informative inner circles in order to land the best positions."

This inner circle is crucial for women's advancement and success. It gives women gender-specific support and information that can help women advance inside a specific company. The concept, I believe, can carry over into business generally. Women face challenges in business that men never have to worry about. By creating a network of successful female investors,

executives, and business owners, my goal is to bring smart women together who can lift each other up and serve as that inner circle.

What You'll Find in This Book

My goal with this book and with Female Angel Network is simple: I want to help women to succeed as business owners and investors. That's why I give amazing women a platform for sharing their experiences on Women in Business Podcast. I believe that the only way women are going to get ahead in business is by working together. Education is empowering.

I'm happy to have you here with me on the journey to uncovering the science of becoming a female investor. This eBook will act as a guide to help you understand the secrets behind investing so that you can build wealth while you help women business owners achieve their dreams of entrepreneurship.

Chapter 1: Where are All the Women Investors?

If you're sitting here thinking about how little you know about investing in private companies, you aren't alone. It seems that most women don't understand how to invest—otherwise there would be more women investors!

The world of finances is still male-dominated, as we can see from the following statistics:

- Women represent only 7% of partners at top 100 venture capital firms. (TechCrunch)
- Women represent only 14% of private equity investment professionals in the U.K. (Preqin)
- Women run less than 10% of mutual funds in the U.S. (Morningstar)
- Only 9 women appear on the 2020 Midas List, which recognizes the top 100 venture capitalists in the world. (Forbes)
- Women make up only 14% of angel investors in the U.K. (This is Money)
- In 2019, women-owned businesses received 2.8% of *all* venture capitalist funding, ***which marked a new record high.*** (TechCrunch)
- At the end of 2019, only 14% of fund managers were women, which was also true at the end of 2000. (Morningstar)

The above stats show how few women there are in the investing world compared with men. This is a global problem that doesn't have a good, proven solution.

There are a few reasons for the lack of women investors, as far as I'm concerned. One of the most important reasons is that women simply lack access to the information they need to become educated investors.

According to one study that looked at the state of angel investors in the UK, “A lack of female role models is consistently noted as one of the key barriers inhibiting women from investing, with 48 percent of women stating that they did not have the confidence to become an angel investor.”

Another study focused on American women and found that “they consider themselves less knowledgeable than men when it comes to managing their savings and investments, and consequently less willing than men to take on the investment risk needed to meet long-term goals.”

This line of thinking makes sense. If you don’t have any role models, how are you supposed to navigate the complicated world of investing? If you’ve never had to take responsibility for your personal investments, how are you going to make the leap to making business investments?

Another key reason women don’t invest is that they simply don’t think about it. They aren’t surrounded by groups of women investors who openly talk about their experiences the way that men are.

The way women think they are being perceived plays a huge role in their likelihood of talking about being angel investors. According to Jenny Tooth, chief executive of the UK Angels Association, a lot of female angel investors fly under the radar. Unlike men, who are more likely to actively (and loudly) talk about their position as angel investors, women don’t like to talk about their wealth because they don’t want to appear arrogant. They are therefore less likely to be vocal about their status as angel investors, which means the women around them don’t get to benefit by learning about their experiences.

The lack of female voices in conversations about investing is one problem I am looking to solve through Women in Business Podcast and Female Angel Investor. I offer women investors platforms to share their stories so that women can start learning from powerful leaders.

I know that a lot of women don't like to be their own cheerleaders. My goal is to be a cheerleader for powerful, successful women so they can share their stories and inspire the women who listen to their interviews and read their stories to feel confident about investing. I want women everywhere to thrive as business owners and investors.

Why Women Investors are So Successful

Even though they are smaller in number, studies have shown that women investors are, on average, more successful than their male counterparts.

There are a lot of reasons for this, including the fact that women tend to take more time researching investments before they commit to one. Women, overall, are more patient than men and are willing to sit on their investment in anticipation of a return instead of jumping from one investment to another.

Another key reason, I think, that women investors are so successful has less to do with *how* they invest than in *who* they invest in—women founders and business owners.

Women investors are more likely to put their money into women-owned businesses than men are. And, as a result, they see greater returns, since women-owned businesses have a track record of creating a greater return than male-owned businesses.

Research done by investment firm First Round found that, after 10 years of investing in businesses, “companies with a female founder performed 63% better than investments with all-male founding teams.” Another report from Boston Consulting Group found that women-owned businesses tend to generate *more than twice as much revenue* per dollar than male-owned businesses.

These statistics are why I believe so strongly in the premise of women helping women. I know that women investors have an enormous opportunity to help women-owned businesses start up, grow, scale, and prosper. At the same time, women-owned businesses who turn to female investors have the potential to offer a generous return and are more likely to get funded if they pitch to female investors than if they pitch to a team of male investors.

Are you ready to learn how you can become a successful investor? Let’s get started.

Chapter 2: How to Invest in Private Companies

When people think about what it means to invest in companies, they tend to think about investing in public companies by buying stocks, not investing in private companies directly. However, private companies are often more lucrative investments, especially if they end up going public. Private companies are also less likely to be impacted by major events than public companies, like the COVID-19 pandemic, since the private owners have more control over the shares of the company and can change course quickly if they need to.

The first step to becoming a successful female investor is understanding the difference between the two types of companies.

Investing in Private vs. Public Companies

A lot of investors want to invest in private companies so they can reap the benefits when that company finally goes public. Here are the primary differences between private and public companies from an investor standpoint.

What is a Public Company?

Public companies are publicly traded on the stock exchange. In order to get to this point, the company has to go through an initial public offering (IPO) to sell a portion of itself to the general public. Anybody can buy and sell stocks through a brokerage. Some examples of public companies include major corporations such as Amazon (AMZN), Apple (AAPL), Microsoft (MSFT), and Zoom (ZM).

Public companies are able to raise capital more easily than private companies. They can do this by issuing additional shares of equity or by issuing forms of debt, like bonds. Of course, founders need to do a lot of work to get to the point of being able to take their company public, including finding investors who are able to fund their business when it's still privately held.

What is a Private Company?

Unlike a public company, it's not as easy to invest in a private company as going to a broker and buying stocks. However, that doesn't mean it's impossible.

A private company is owned by one or more individuals and has a set number of shareholders. You cannot buy shares in the company. Instead, you can invest by working with the founders directly.

Private companies are often self-funded, especially at first. They can also be funded by friends, family members, angel investors, crowdfunding, family offices, or venture capital firms. While a lot of private companies have the goal of going public, that isn't always the case. Some large corporations remain privately held, including Ikea and Domino's Pizza.

How to Become an Investor in a Private Company

Investing in private companies is a step toward building wealth and is often referred to as a "high risk high reward" investment. Here are some of the ways you can do it.

Angel Investors

One of the most common ways to invest in a private company is as an angel investor. Angel investors are individuals who use their personal funds to make direct investments into a venture.

They usually have some say in how the business operates by serving as an advisor or taking a seat on the Board of Directors. Because they are investing capital into startups and private businesses, there is an element of risk involved for angel investors. Due to this risk, angel investors need to be able to take a loss of the entire investment. Therefore, angel investors are generally high-net-worth individuals.

All of this means that you can't just decide to be an angel investor without meeting certain requirements. According to Rule 501 of the Security Exchange Commission (SEC) regulations, you need to be an accredited investor, as defined under the Securities Act of 1933, in order to invest in a company as an accredited angel investor.

To qualify as an accredited angel investor, individuals must have a net worth of at least $1 million or an income of at least $200,000 ($300,000 for married couples). In addition, there needs to be a reasonable expectation that the investor will reach the same or higher income level the following year.

To learn more about how to become an angel investor, including meeting mentors and connecting with business owners who need capital, you can join an angel investor network, like the one I have created at Female Angel Investor. I have built this network to provide education for accredited and yet-to-be-accredited angel investors who want to connect with business owners who need funding.

If you don't meet the criteria to be an accredited investor (yet), don't count yourself out! There are plenty of other ways you can invest in businesses, which can help you build your wealth and reach that coveted status of accredited investor.

Options for Non-Accredited Investors

You can still invest in private companies if you don't meet the qualifications to be an angel investor. Here's a rundown of the best opportunities for non-accredited investors.

Equity Crowdfunding

Equity crowdfunding can be lucrative for non-accredited investors in a lot of ways. First, you get equity in a company, which means that if and when that company has a successful IPO, you'll get a nice return by getting your investment back when you sell your shares plus any profits.

Perhaps one of the most appealing things about investing in equity crowdfunding is that you don't have to invest very much to get a sizable ROI. You can often invest as little as $1,000. You are limited to how much you can invest as a non-accredited investor, based on your net worth or annual income. This limit is in place to prevent investors from investing more than they can afford to lose in a company.

If either your net worth or your annual income is less than $107,000 for the calendar year, then within a 12-month period you can only invest up to either $2,200 or 5% of the lower amount (either your net worth or annual income).

If your net worth or annual income is over $107,00 for the calendar year, then you can invest up to 10% of whatever is less, your net worth or annual income, over a 12-month period. You can't invest more than $107,000 via crowdfunding.

Peer-to-Peer Lending

Peer-to-peer (P2P) lending is another great option for non-accredited investors who want to get their feet wet in the investment world. You can sign up for an online P2P platform and then invest in individuals or business ventures.

With peer-to-peer lending, you're investing in personal loans instead of business loans. You'll be able to assess the risk of each loan you make based on the borrower's credit history. The higher the risk, the higher the interest (but also the higher the chances of the borrower defaulting on their loan).

Private Equity Investments

There are several types of private equity investments. As a non-accredited investor, you just need to find a company that is looking for some extra capital and buy-in as a partner. In order to make a good return, you should be willing and able to invest at least $10,000, knowing that you may never see that money again if the business goes under. Remember: high risk = high reward.

Now that we've outlined some of the most common ways you can start investing in private businesses, let's go deeper into the rules you'll need to follow if you want to succeed as a female investor.

Chapter 3: Rules for Investing in Businesses

Now that you have a better understanding of how to invest in private business, either as an accredited or non-accredited investor, how can you make sure you're investing in *the right* business?

To do that, you need to think more about how to invest on Main Street than how to invest in Wall Street. What I mean by that is, you are going to have to figure out how to determine which smaller private companies are able to make you money in the long-term, without the benefit of having a long history of success behind them.

This chapter will walk you through all the things you need to think about when you're making an investment decision to ensure that you are able to make an informed, educated decision about the best company to invest in.

How to Invest in the Right Business

Once you have the money and the network to approach investment opportunities, it's time to start thinking carefully about what type of businesses you want to align yourself with.

Remember, investing your money is only part of the equation. The companies you invest in should also match your professional and personal values. You don't want to partner with a business that has shady operations or other potential ethical implications that could end up costing you your investment. At the same time, you want to make sure the founders know what they're doing. Spend time with the founding team to make sure they have what it takes to build a profitable business.

Consider How Involved You Want to Be in the Business

The first thing to consider when you're searching for a business to invest in is how involved you want to be in the day-to-day operations. Unlike with public companies, which can have thousands of shareholders, privately held companies only have a few shareholders and usually give their investors a seat at the table, if they want.

This can range anywhere from being available for consultations and mentoring sessions to having a direct influence on how the business operates on a daily basis. A lot of private investors sit on the Board of Directors for a private company, which ensures that they have a hand in the decision-making process and know exactly how their money is being used within the company.

Set Clear Goals for Your Investments

It's not enough to become an investor for vague reasons, like "to make money," or "to help businesses." Get specific when defining what goals you have for your investments so that you can analyze opportunities as they come your way to decide whether or not they are in line with your goals.

It might be helpful for you to grab a pen and paper at this point so you can jot down your goals and revisit them to refine them as you move forward in your investment process.

Start by writing down a specific monetary target that you want to hit with your investment. For example, you could write, "I want to make a return of $100,000 on an investment." This number shouldn't be arbitrary. Of course, we all would like to be millionaires, but that might not be the best jumping-off point. Think realistically about how much you can afford to invest right now and

how much you could potentially make off of that investment. This number can be refined as you start exploring tangible investment opportunities.

Next, list some goals you have for the types of businesses you want to support through your investments. These can include helping specific types of businesses or business owners (e.g., I want to help women-owned businesses in the tech industry). You may have other personal goals. List them on your sheet of paper and refer to them when you're considering investment opportunities to make sure you're choosing to invest in businesses that will help you achieve these goals.

Get it in Writing

No matter who you are investing in, whether someone you met through your network or a good friend, make sure you get all of the details of your investment in writing. Don't rely on general trust or oral promises. It's OK to seek help from a lawyer to make sure all parties are appropriately protected.

Plan to Get Your Money Out

We've talked about how you shouldn't invest more than you can afford to lose, but that doesn't mean you should *plan* to lose all of your money. In reality, the opposite is true. You should make a plan for getting your money out of the investment. What does that look like? Will you be paid consulting fees for your time? Will you receive regular dividends? Do you need to file as an S Corporation so that some profits can be distributed to you?

Don't settle for ambiguous answers here. One thing I've learned about business is that there will always be somebody smarter and more capable than you; don't rule out taking a buyout, and

don’t wait forever for the “perfect” opportunity to come along for you to take out your money. If a smart exit opportunity comes along for you to cash out, take it.

Insist on Seeing a Business Plan

Never invest in a business that doesn’t have a business plan. A business plan is the only way you can gauge the founder’s idea of where the business is headed. Make sure you agree with the business plan and that it lines up with what you already know about the company. Along with mapping out the progression of the company, the business plan should also include information about how the company will pay investors.

Define Core Values as a Female Investor

Something that’s incredibly important to me as an investor is having a set of core values that guide my investment decisions. Put simply, a core value is defined as a guiding principle or fundamental belief that you have as an individual. In business, core values are the guiding principles that a company follows when dealing with suppliers, clients, the public, and its internal staff.

For private business investors, core values act as a sort of moral compass. They will help you make sure you are making investment decisions that align with your fundamental beliefs and will keep you from getting off track when something comes along that just doesn’t “feel right.” Most importantly, core values will help you determine what really matters to you when it comes to investing in a business and can help you make good decisions about where you want to put your money.

My personal core values are integrity, facing challenges with optimism, contributing with heart and mind, and being someone who creates values for others. These principles are what help me decide who to invest my money in and help me always act in a way that creates value for myself and for the companies I invest in.

When you have a set of core values to guide you, you'll always make good investment decisions.

How to Find the Right Business for Your Investment

There are a lot of new and established businesses that need help from investors to reach their next stage of growth. But, how can you find them?

The best way to find businesses to invest in is through your network. If you're thinking about your current network and feeling skeptical, then you're in the right place! Broadening your network beyond just your immediate contacts and connections can introduce you to a wide range of opportunities.

The network I have established here at Female Angel Investor includes women business owners and investors who operate in all types of industries. Spending some time listening to founders and learning from other investors through the Women in Business Podcast can help you find the right type of business to invest in.

Finally, when you're ready to invest in a company, make sure you invest in something you're passionate about. This will ensure that you are up to the challenge of working with the founders to build their business into an organization that achieves their mission. It also ensures that your

time and money are all going to go toward a cause that you care about on a personal level to make you more engaged as an investor.

Chapter 4: Social Impact Investing

A recent trend that has emerged among investors is the idea of social impact investing, also called socially responsible investing (SRI). As the term implies, this type of investment focuses on social responsibility along with financial wealth. In some cases, SRI focuses exclusively on social responsibility, with little to no consideration for financial impact.

Defining Socially Responsible Investing

Socially responsible investing isn't a new thing. It's been around for hundreds of years, at least. An article from Money Crashers traces the concept back to a 1750 sermon by John Wesley called "The Use of Money," which essentially urges readers and churchgoers to avoid putting their money into businesses that would harm the welfare of their neighbors. In the 20th century, we saw SRI evolve to center around politically and socially charged matters, such as Civil Rights.

Fast forward to 2020, and the concept of impact investing really hasn't changed much. What counts as socially responsible and impactful can vary from person to person, which makes this type of investment more personal than one that's focused solely on getting a financial return. Your definition of social responsibility could include focusing on eco-friendly solutions, like solar panels and recycling programs set up within the company. Another investor could focus on businesses that create social impact to reduce hunger and improve living conditions for workers.

Most of the time, the social implications of a business's operations extend beyond the products and services they offer to also include how the company treats its employees, suppliers, and full supply chain. In general, a company deemed "socially responsible" is one that adheres to

ethical standards and practices in all its business dealings, including in the treatment, payment, and hiring of its employees. It also includes the entire supply chain, meaning all raw materials are sourced sustainably using ethical practices.

The Benefits of Socially Responsible Investing

There are a lot of potential pros to taking a socially responsible approach to investing. For one thing, it ensures that you are only putting your money into companies with the same ethical values that you have. If you are working on building your brand as an investor, then sticking to your principles by only investing in companies with certain ethical practices can make you extremely attractive to companies that share those values.

Of course, social impact investing also has a larger global impact. When investors make a conscious decision to only put their money into businesses that follow ethical practices, they push companies who aren't yet following ethical practices to do so. Companies need capital to grow. If there's a massive movement to reward ethical companies instead of ones that have shady, or potentially shady, business practices, then, hopefully, more companies will start becoming more socially responsible as a result.

The Pitfalls of Impact Investing

So, impact investing sounds like a great deal, and it can be. After all, what is there not to like about putting your money behind businesses who care about humanity, not just their bottom line? Just make sure you're aware of some of the pitfalls before you jump in feet first so that you can reap the full benefits of your investment.

The first thing to consider is that, with social impact investing, sometimes ethics can trump performance. Investors can become zeroed in on scrutinizing a company's ethical behavior instead of paying attention to how it's actually performing, which can cause them to miss opportunities.

Another thing to consider is that SRI is entirely subjective and has an emotional component. This could mean that you end up making an investment based more on emotion than data. To become a wealthy investor, you need to care as much about the numbers as you do the social implications of the company you are investing in.

Finally, consider the fact that socially responsible investing tends to change based on the social and political climate of the time. This could mean that a company you invest in now because of current trends falls out of favor with other investors in a few years.

Should You Focus on Impact Investing?

I'm not going to tell you what companies to invest in, so I'm not going to say that yes you should definitely focus on impact investing or no, you shouldn't. I do think it's important for us to consider the broader societal implications of our investments instead of only considering what our payout is going to be. I believe that when you put good out into the world, it comes back to you.

I also think that you should consider the financial implications of an investment instead of only focusing on the social implications. You're never going to become a wealthy investor if you ignore the financial aspects and only focus on the social and ethical implications of a particular

business. If a company has every intention of doing good in the world but doesn’t have a solid business plan in place, then nobody is going to win from your investment, especially you.

Conclusion: Putting the Pieces Together

As you've learned from this book, there are a lot of things to consider before you can become an investor. I hope you have also learned that you don't need to already be wealthy to create more wealth through investments. In fact, the opposite is true. I believe that becoming an investor is the best way for women to build wealth, which is why I have worked so hard to build a network that brings investors into direct contact with women business owners who need capital investments.

When you're ready to start investing, think locally. There are tons of local businesses that are already operating, plus some that are on the verge of opening that need investors to help them get up and running.

Most importantly, put your money into women-owned businesses. As the research has proven, businesses that are owned and led by women are more successful and yield a higher return than businesses that are owned and led by men. By helping other women grow their businesses, you'll do more than just support a network of powerful women—you'll also be well on your way to building your portfolio and wealth.

The best way to become an investor is to join a network of investors who can open up doors and teach you everything you need to know to become a successful investor. Join our network at Female Angel Investor to get access to investment opportunities along with useful educational resources that can help you make the most out of every investment. Our investors benefit by having a platform to share their stories through Women in Business Podcast, plus access to lucrative investment opportunities, training, educational courses, and seminars. I can't wait for you to join and start your journey toward becoming a wealthy female investor!

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About the Book

This book is for women who want to become wealthy but aren't sure how to get started investing in private companies. Rose Vitale, aka The Female Angel Investor, has decades of experience investing in businesses and is passionate about improving the landscape of funding for women-owned businesses. In this book, she shares everything you need to know about becoming a wealthy female investor, whether you have $10,000 or $1,000,000 to invest. The Science of Becoming a Female Investor breaks the investment process down step-by-step to empower women to invest in private businesses so they can build wealth while supporting women business owners.

Join an empowering network of female investors today at www.femaleangelinvestor.com.

About the Author

Meet Rose Vitale, the Female Angel Investor. As a serial entrepreneur and investor, she is determined to bridge the gap between women and investments through education and outreach. She has built a multi-media platform to provide more funding for women-owned businesses by connecting women business owners with female investors. The Women in Business Podcast gives powerful women a platform to share their stories and reach a large audience of female investors and entrepreneurs who are passionate about funding and supporting women-owned businesses. The Female Angel Investor network offers seasoned and aspiring female investors the opportunity to make a big impact by investing in women-owned businesses through membership.