

Investment Checklist

By John F. Smith

- ☐ Investment Opportunity
 - ☐ List and define personal objectives for the investment.
 - ☐ Know your probable return on investment (ROI)
 - ☐ Estimate the payback period for the investment.
 - ☐ Discuss the investment with other investors.
 - ☐ Know how long this opportunity has been available.
 - ☐ Compare the investment opportunity with alternatives.
 - ☐ Make sure the financial plan is reasonable and realistic.
 - ☐ Understand the financial plan.
 - ☐ Let the financial plan be reviewed by independent professional advisors.
 - ☐ Check if the marketing plan is realistic.
 - ☐ Understand when the business is expected to become profitable.
 - ☐ Know when to expect a return on investment in interest or dividends.
 - ☐ Know how and when you will get the capital back.
 - ☐ Know what you are purchasing (if purchasing equity).
 - ☐ Know if there are warrants or share options attached.
- ☐ Investment Risk
 - ☐ Calculate potential losses.
 - ☐ Know the risk of loss on this investment.
 - ☐ Check if all the regulatory requirements have been met.
 - ☐ Know what the funds raised will be used for.
 - ☐ Check if the business is operational now.
 - ☐ Calculate the burn rate.
 - ☐ Know how much the investment will be diluted as a result of the founders getting an interest for their sweat equity.
 - ☐ Check if the founders have invested an appropriate amount of cash in the project.
 - ☐ Know what level of involvement is expected of you.
 - ☐ Check if you are entitled to representation on the board of directors.
 - ☐ Understand the legal structure of the investment.
 - ☐ Secure your investment by assets.

- ☐ Check if you could be legally bound to put up more money in the future.
- ☐ Understand the legal structure of the venture.
- ☐ Check if adequate insurance is in place for assets, key personnel and directors.
- ☐ Check if all tax filings are up to date.
- ☐ People
 - ☐ Trust the people who are making the sales pitch.
 - ☐ Know what and how the promoters are being paid.
 - ☐ Know the history of the implementers of the business plan.
 - ☐ Know the terms of employment, contractual and salary agreements for the key personnel.
 - ☐ Know the reputations of the current shareholders, officers and directors and key professionals.
 - ☐ Make sure a lawyer has conducted corporate and personal searches on those involved in the investment.