

Design Angels

Angel investing for Designers & Researchers

www.designangels.co | organized by [Mike Kruzeniski](#)

Getting started

Interested in Angel Investing? See below for common questions that people have when they get started.

Design Angels

Already doing some Angel Investing? [DM me](#) and I'll add your name down at the bottom. I'd love to help organize a network of Designers & Researchers that are (and want to) angel investing. Let's help each other out!

Getting started

Why should I Angel Invest?

Investing in startups is a very high risk investment. There are *many* other ways to invest your money that are much lower risk. If you want to improve your general understanding of investing, I highly recommend reading this book: [The Psychology of Money](#)

We all hear stories about people making lots of money from early stage investing, but you should always keep in mind that 1) most startups fail, and 2) it takes a very long time before companies become successful. When you invest in a startup you should assume that you will lose your entire investment. If you do make money, it will probably take several years.

So why do people Angel Invest? It's a personal decision, but here are some reasons:

- To help friends that are starting a company
- To help the next generation of companies
- To help a company build a product that you believe in
- To stay connected to early stage companies that are doing interesting things

OK but why should *Designers & Researchers* angel invest?

Angel Investing – especially in Silicon Valley – has largely been driven by Engineers and PM's in the Stanford/Google network. I'm excited to see more Designers & Researchers in a position to invest in early stage companies, and showing interest.

Design & Research has played a critical role in the success of tech companies over the past decade, and many Designers are starting companies. I believe that Designers & Researchers can provide a massive amount of value to the next generation of startups by investing their own time and money into the ecosystem. Designers & Researchers can help early stage companies with customer insights, creative product solutions, design process, testing products, and recruiting – all the stuff we're good at.

I believe Designers & Researchers can become great angel investors because we know when companies are customer focused, what good product solutions look like, and we often have creative ideas about what the future will be like – all things that are important for discovering the next great companies and products.

By working together, we can help each other learn, find companies to invest in, and help our startup investments succeed.

The basics

How do I become an “Accredited Investor”?

You don't have to do anything to become accredited, it's just a definition based on your income and/or net worth. Recent updates to the accreditation rules have made it easier for more people to be defined as accredited, which is why you see more people getting involved in early stage investing.

Here's the definition of an accredited investor in the United States:

- A natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year.
- A natural person who has an individual net worth, or [joint net worth](#) with the person's spouse, that exceeds \$1 million at the time of the purchase, excluding the value of the primary residence of such person.

If you live outside the USA, you can find information about criteria for accreditation in other countries here: [Wikipedia – Accredited investor](#)

What is the minimum amount of money I need to invest?

If you invest in companies on [AngelList](#), the minimum is usually \$1k, so it's a more accessible way to get started investing in early stage companies.

If you're investing directly into a startup, most startups at a seed stage ask for a minimum investment of \$25k.

If the CEO/Founders are a friend of yours and really want you to invest, they may take lower amounts like \$5k or \$10k. Generally, startups try to avoid having too many people on the cap table to keep things simple, so higher amounts allow them to fill their round with fewer people.

How do I invest in a startup?

Getting access to invest in startups is probably one of the first problems you'll have (referred to as "dealflow") when you get started in Angel investing.

People often make their first angel investment when a friend or a colleague starts a company. If you have worked in tech for a while, you may have many colleagues that go on to start companies over time.

Another way to get access to invest in startups is through AngelList. On AngelList, you follow "Syndicates" (You can find more info about Syndicates below). Syndicates are led by experienced investors who have built up a network to help them find startups to invest in, and then make that investment available to you. You can find AngelList Syndicate leads to follow [here](#) ([you can follow me on AngelList here](#)). Another place to invest in early stage companies is through [Arlan Hamilton's Backstage Capital syndicate](#).

AngelList is the fastest and easiest way to start seeing what early stage deals look like, and I recommend this as a great way to get started. The minimum amount to invest is \$1k, so it's a much more accessible way to get your feet wet than having to write \$25k checks.

What stages can I invest in?

Companies raise money in stages as they grow, starting with pre-seed or seed, then Series A, B, C, and so on until they "exit" through an acquisition or IPO (or fail and shut down!).

Angel investing usually happens at the pre-seed or seed stage. At these early stages, a company might not have anything but a couple founders with an idea. Sometimes they will have a prototype, and maybe a first version of their product that's already in market. This is a very early stage of a company though, and long before they know whether they have product market fit.

On AngelList, you may occasionally get access to a Series A or Series B stage company, but that is rare. Once a company has found market fit and is starting to grow, they usually focus on taking investments from established VC firms.

How can I help the companies I invest in?

Helping new companies succeed is one of the best reasons to be an angel investor (and the most fun). You can help by providing Design or team-building advice, helping to recruit employees, connecting the founders to people you know, testing the product and giving feedback, and generally sharing news about the company with your network.

Most founders will share regular updates about the startup, and include specific requests for help.

If you invest through AngelList, you will not have a direct connection to the company so your ability to help is much more limited (and not required). On occasion, a Syndicate lead may pass on requests for help, but you are not allowed to reach out to a company you've invested in through AngelList. The best way to help in this case is to just share news about the company with your network.

How do you evaluate investment opportunities?

Doing "diligence" on a company that is at an early stage is very difficult. In many cases, the company consists of a small founding team, an idea, and maybe a very early stage prototype or product – so there's not a lot to evaluate. Because of that, early stage investors often focus on the strength of the founding team. The first product ideas that a company has may fail, but a strong founding team will find ways to iterate and pivot until they find a product that works.

Some investors focus on the ambition of the idea, the importance of the technology being built, or the size of market opportunity. Based on your experience building products and teams, and working in companies, you will have your own sense for what you believe does/doesn't work when building new products and companies. Over time, you'll refine your sense for what kinds of startups you like investing in.

Keep in mind that it can take years before you'll know whether a company you've invested in is doing well, and there are many ways for startups to fail (even when after it seems like they're doing well).

Angel Investing tools

What is AngelList?

[AngelList](#) is a site that allows you to invest in early stage companies by backing Syndicate leads. Syndicate leads are experienced investors that find investment deals and then make them available to people that back their syndicate. [You can find syndicates here](#) and then apply to back them (applying is mostly a formality as most syndicate leads will approve all requests).

What is Carta?

[Carta](#) is a service that startups use to manage their Cap Table. If you invest in a startup directly, your investment will (usually) be recorded on Carta.

Common investing terminology

What is a Syndicate?

Definition from AngelList: A syndicate is a VC fund created to make a single investment. They are led by experienced technology investors, and financed by institutional investors and sophisticated angels. Syndicates are private. Investors can participate by applying to back a lead or investing in a fund.

A Syndicate allows you to invest in deals on a deal-by-deal basis. When you back a syndicate, you are not obligated to invest in every (or any!) deal that they present to you.

What is a “SAFE”?

A SAFE (Simple Agreement for Future Equity) is a term you will hear a lot if you decide to invest in early stage companies.

When a company is brand new, it's hard to figure out what it should be worth. A SAFE solves this problem. It is an agreement between an investor and a startup, which provides rights to the investor for future equity in the company, without determining a specific price per share at the time of the initial investment. When a company raises money in a Series A, the price of the company will be determined by the lead investor of that round, and your SAFE will convert to real equity in the company at that price.

Sometimes the SAFE will come with a discount or a cap. A discount gives you equity at a discounted price from the new investors. A cap means that the future value of the company will be capped at a maximum amount. Both of these are investor friendly terms to look for, and are provided to reward you for investing in the company at an early stage.

What is “carry”?

Carry is a percentage of the upside (i.e. the gain) on a successful investment. In exchange for getting you access to a deal, Syndicate leads take Carry (usually 15%, plus 5% which goes to AngelList). *In practice what this means:* If you invest \$1k in to a company, and a 5 years later it's

worth \$10k, the upside on your investment is \$9k and the syndicate lead receives 15% of that. If the startup fails and you lose your \$1k, the Syndicate lead doesn't make any money.

What is “pro-rata”

Proportionate Allocation, commonly known as pro-rata. When you invest in a startup, you may or may not be granted pro-rata. If you have pro-rata, that gives you the right to invest in a startup again the next time they are raising money. Your pro-rata investment allocation (i.e. the amount you will be allowed to invest) will be proportionally equal to the amount you previously invested. In practice this means: if your investment ownership was equal to 1% of the company value in the previous investing round, you will be allowed to invest again up to 1% of the new company value.

What is “dilution”?

Dilution is the decrease in ownership for existing shareholders that occurs when a company issues new shares in future investment rounds. Dilution decreases your ownership stake in the startup, unless you continue to invest your pro-rata allocation.

What is a “cap table”?

A Capitalization Table, known as a Cap Table, is a list that shows how all of a company's shareholder equity is divided. Everyone that has invested directly in a startup will be listed on the cap table, along with the percentage of the equity they have in the company.

What is an “LP”?

Limited Partner. A Limited Partner is someone that invests money into an investment fund (or an AngelList syndicate), but does not actively participate in investing activity or investing decisions. If you back a syndicate on AngelList, you are an LP.

What is a “GP”?

General Partner. A GP actively invests the money in a fund, and makes investing decisions. On AngelList, a syndicate lead acts as the GP for the syndicate.

What is a “rolling fund”?

A rolling fund is a new way to invest on AngelList. Instead of investing in a deal one at a time, or committing a large amount of money to a fund, you could commit money on a quarterly basis so that it is available for the Syndicate lead to invest it in whatever deals they are running that quarter. The minimum commitment for a rolling fund is usually \$5k every 3 months.

You can find more information about rolling funds [on AngelList here](#).

What is a management fee?

Investment funds charge a fee (usually 2% per year) on the fund to manage it, and pay for their expenses and salary. Syndicates usually don't charge management fees.

Design Angels

A list of Designers that invest in early stage companies (in progress)

Name	Twitter bio	Links
Mike Kruzeniski		
Liz Ferrall-Nunge		
Colette Kolenda		
Wayne Robins		
Win Lin		
Vikram Aditya		
Georg Petschnigg		
David Hoang		
Morgan Knutson		
Kevin Wong		
Daniel Scrivner	@danielscrivner	danielscrivner.com

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