# Raise More Money Than You Need, But Not Too Early. Explained Here

*Transcript [From Reid Hoffman's Masters of Scale Podcast: Guest Tim Ferriss]*

***"Validate as much as possible with your own money and resources,* then *ask for more money you need."***

FERRIS = Tim Ferriss
REID = Reid Hoffman
Sam Altman = Y Combinator President Sam Altman
Garrett = Uber co-founder Garrett Camp
Travis = Uber co-founder Travis Kalanick

FERRIS: Commandment number four: raise more money than you think you need — potentially a LOT more. Now, this is a somewhat controversial point and some venture capitalists, VCs, argue the exact opposite, that you should try to be as lean as possible. I think, in fact, the top performing venture capitalists, of which Reid would certainly be one, even if they voice seemingly conflicting opinions, would agree that it's largely a matter of what you have done before you raise the money. Much to Sam Altman's point, which is a critical condition.

So for instance, when I'm personally getting involved in startups, and I have something like 70 different startup investments since 2007 (if you want to see them, you can check them out at angel.co/tim), you will notice that most of them are direct-to-consumer, many, because that's where I can affect the outcome to the greatest extent. And some of the most successful to date have focused on product, exclusively, no marketing and PR in very early days, and have shunned PR in fact and business development opportunities and self-funded whenever possible to the point that they have a functional prototype. Meaning that they have identified some type of product market fit, as it's called, and they have refined something that they feel that they can then pour gasoline on. And that is certainly true, for instance, in the case of a number of companies like Uber, just to take one.

When I was initially interacting with Garrett and Travis, both the co-founders, this was before Uber was Uber. It had a different name, it was an LLC, so prior to raising money, looking at prototypes, looking at the market research that they did, looking at how they tested it, looking at how they interviewed potential users but especially potential drivers, to really come up with a, let's call it, a version zero, that got traction before they went out and then looked for external validation and financing, meaning through venture capitalists. And that I think is a common characteristic among all of my best investments, at least the early stage investments. So, back to the commandment. In this particular case: raise more money than you think you need, potentially a lot more.

So, you'll notice Uber, at least in one case, raised initial money after they had satisfied a lot of conditions and product refinement. And then after they saw the opportunity to scale, raised more money than they thought they would need.