ANGEL

How to Invest in Technology Startups – Timeless Advice From an Angel Investor Who Turned $100,000 Into $100,000,000

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JASON CALACANIS is an entrepreneur and angel investor. He is the host of the podcast *This Week in Startups* and is also CEO and founder of Inside.Com, a newsletter publisher. For several years, he worked as a scout for Sequoia Capital, one of Silicon Valley's premier venture capital firms. He has personally invested in more than 150 early stage companies including Uber, Thumbtack, Weblogs, Tumblr, Evernote, LeadGenius and gdgt. After a dinner meeting with Elon Musk, Jason Calacanis purchased two Tesla Model S cars for $50,000 each and took delivery of two cars with the serial numbers 00001 and 00073 respectively. He is a graduate of Fordham University.

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MAIN IDEA

Angel investors put money into early-stage companies. It's a high-risk, high-return strategy because if you get it wrong, you will likely lose all your money or get pennies on the dollar in return. Get it right however and you can generate life-changing money.

To excel as an angel investor, you're trying to be the "first money" in to promising start-ups which are just about to go supernova. To do that, a six-step formula is involved:

The Angel Investor's Formula

1. Find startups
2. Understand deals
3. Evaluate founders
4. Add value
5. Learn and iterate
6. Make money

"I live on the edge of the future of business and technology. As an angel investor, it's my job to write the check when no one else believes in you—and that's the most thrilling bet in the world. Every week I meet a dozen dreamers with insane ideas who want me to give them my money, advice, and access to my Rolodex—but mostly the money. Oftentimes I'm the "first money" in, the first investor willing to take a chance with a company like Uber or Thumbtack when everyone else has said no. If a startup in which you are an early enough investor becomes a unicorn – a company valued at $1 billion – you will return life-changing money."

– Jason Calacanis

Angel investing is the act of putting money into a private business with the goal of getting back more than you invest. To get in on the best deals, you have to build a deal-sharing network with the right kind of people. A good way to start this is with syndicates.

To act as an angel investor, you need to understand clearly the ins and outs of startup funding rounds. Have a clear view of how the deal needs to be structured and where you can add value.

More than half of your job as an angel investor will be to learn how to read founders and to identify who has the right stuff to build a large enterprise. To pick which founders you're going to fund, ask them the four most important questions and go from there.

Once you decide to make an investment, you then have to discuss what role you can take to add value to the business you're investing in. There are lots of different ways you can do this so you need to figure out what approach would suit best.

You should plan on making around ten angel investments in your first year to learn the ropes. Inevitably, you'll make mistakes while you learn the ins and outs. That's OK, as long as you learn how to do better the next time you're at bat. Never stop improving.

The real key to success with angel investing is to chalk up your bad investments to experience, double down on your winners and consistently take the long view on what you're doing. Find your groove and keep your head up. Angel investing is a unique vocation so take the time to reflect and enjoy what you do.