FOUNDER RESOURCE | ANGEL CAPITAL ASSOCIATION

Working with Angels 101

Short version: what founders need to know before they raise

Behind many of today's strongest startups is an early believer: an angel investor. ACA-reporting angel groups alone invested $491.3M in 2025, up 12% from 2024, according to ACA's 2026 Angel Funders Report. *U.S. practice as of October 2026.*

1 Meet the angel

An angel is generally an individual who invests personal money directly in an early-stage company, usually for equity or a convertible note or SAFE.

- **Their own money, their own call.** No fund mandate, so behavior varies widely from one angel to the next.
- **Money plus more.** Many add advice and introductions, but not every angel is hands-on. Ask what to expect.
- **Early, and selective.** Angels often invest from pre-seed through Series A and look for companies that could grow large.

Most angels are **accredited investors**. Whether a company can accept non-accredited investors depends on the exemption it uses, so that is a question for your securities attorney.

2 Angels vs. venture capital

The core difference is whose money it is. The two overlap more than most people expect, so read these as tendencies.

	Angel investors	Venture capital funds
Whose money	Their own, invested directly	Pooled in a fund with a mandate
Typical stage	Often pre-seed through Series A	Often Series A and later
How they invest	Alone, or in groups and syndicates	A firm making repeated investments
Involvement	Ranges from passive to board-active	Active mentoring and board seats are common

These are not rivals. Many companies take angel money first, then venture capital.

3 Four ways to describe any angel

There is no official list of angel "types." Ask these four questions about any investor you meet.

- **How do they invest?** Alone, in a group or through a fund. This decides who you must convince.
- **What do they know?** Generalist or specialist. A specialist may add more and ask harder questions.

- **How involved will they be?** Passive, advisory, lead or board-active. Agree on this up front.
- **How is the money committed?** Directly, or pooled through one vehicle such as an SPV.

4 How an investment unfolds

Every investor runs it differently, and steps can overlap or repeat. This is the common path for a group deal.

1. **Introduction or application.** A warm intro usually beats a cold email.
2. **Screening and pitch.** A small team checks fit, then you present. Aim for a second conversation, not a signed check.
3. **Due diligence.** Investors verify your team, market and key assumptions. Organized records help.
4. **Term sheet and syndication.** A lead negotiates terms and brings in other investors.
5. **Legal documents and close.** Counsel finalizes documents, investors sign and funds are wired.
6. **After the check.** Updates, advice, introductions and possibly follow-on investment.

5 Questions to ask an angel

- What experience do you have in my industry, and how would you help?
- How involved do you expect to be?
- Can I speak with founders you have backed, including ones who hit a hard stretch?
- Can you invest again later, or should I plan for new investors?

6 Is it right for you? Your next steps

Angel capital tends to fit if the business could grow large and you need money to reach a specific milestone in the next 12 to 24 months. Fewer yeses is useful information, not a failure.

1. **Get ready** with Founder Readiness before you approach anyone.
2. **Ask your program** which angel groups and investors they trust.
3. **Talk to a securities attorney** before you raise.

Go deeper: ACA resources for entrepreneurs | ACA angel investing FAQs | SEC early-stage investors | SEC accredited investors

Links are provided for information only. Their inclusion is not an endorsement.

This guide is general information only. It is not legal, tax or investment advice. Talk to a qualified attorney or advisor about your situation.

ABOUT THE ANGEL CAPITAL ASSOCIATION

The Angel Capital Association (ACA) is the professional association of angel groups and investors in North America. We publish the Angel Funders Report and teach through Angel University. ACA is not a source of capital and does not review business plans.