

HOW TO MARRY A BILLIONAIRE P.94

Money



Getting Rich in America

Make Your Fortune
in a Changing World P.74

These five entrepreneurs have ditched corporate careers to pursue riches on their own terms



You know the path to wealth is most often blazed alone. But is the life of an entrepreneur right for you? It may be more realistic than you think, once you get real about what it takes.

BY PAT REGNIER | PHOTOGRAPH BY CATHERINE LEDNER

GETTING RICH IN AMERICA

Not so long ago, there was a standard recipe for affluence: Start with four years of college. Add one white-collar job. (For best results, find a big corporation with a pension fund.) Carefully stir in equal measures of obedience and initiative. Wait 40 years. Retire.

Getting ahead doesn't seem so simple anymore. Few companies are looking for lifetime relationships—many aren't even sure what business they'll be in a few years from now. Or if they'll have one. A job that seems secure today could be replaced by better software or a cheaper overseas worker tomorrow.

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Quiz // Do you have what it takes to get rich?
Generation Risk blog // Are we all entrepreneurs now?

In short, you're living with lots of uncertainty, dodging and weaving as your industry changes, and working 50 hours a week in the bargain. So perhaps you've wondered, "*Wouldn't I be better off working for myself?*"

Tough question. Certainly if you look at your neighbors with real wealth, you'll see a lot of entrepreneurs: Half the families with a self-employed breadwinner claim a net worth greater than \$336,000, and folks who make it big

push the average for such families to more than \$1 million. Then again, you could meet more than a few business owners in the waiting room at bankruptcy court. In between are lots of people hustling for every buck. Unless you get past that stage, you'll likely make less than you do now, says William Gartner, who teaches entrepreneurship at Clemson University.

But going into business is more than an expensive lottery ticket. For many who take the plunge, it's a chance to build something of their own, to test

HOW IT'S DONE

A dozen entrepreneurs, **a dozen success stories**: proof that you don't need a lot of money to make a go of it, but you do have to be smart about how you invest your energy. And you do have to bring a lot of energy.

BY JOSH HYATT

Today might very well be the day that you do it.

After all, you've been planning it for a long time. You're ready to ditch the job, dump the boss and start your own business. What's stopping you? It's not as if you're attached to your cubicle, despite its magnificent proximity to the vending machines. There's just that one nagging hurdle: You know nothing about starting a business. Well, nothing encouraging. You know that many fail (sure enough, about a third do in the first four years). And you know that becoming an entrepreneur costs a small fortune. That one, you'll be happy to hear, isn't necessarily true. Yes, you'll likely get your start-up money from savings and personal loans until you can win over funders with evidence of your success. But it won't take that much money. You probably already have all the technology you need at home—high-speed Internet, a computer, maybe even a nifty printer/fax/copier combo. You can rent almost anything else, from accounting help to manufacturing time. Last year, in fact, the median cost to start a business was only \$10,000, according to a Wells Fargo/Gallup survey.

As for the risk of failure, you can't ignore it. But you can alter the odds by following the example of the entrepreneurs you're about to meet: Lay the groundwork before you quit your job, keep expenses low, build on what you know, learn as you go and love what you do. "There's no one way to start a company," says Greg Gianforte, co-author of *Bootstrapping Your Business*, which preaches the virtues of starting a business with little money. "The smart ones find their own way." To see how 12 smart success seekers are making a go of it today, keep reading. >>



→ SMOOTHIE OPERATORS

KYLE AND AARON CAMPOS, 27 AND 33

/// BUCKEYE, ARIZ.

If you must borrow from your friends and family, keep it formal

The downside of mixing business with blood should be obvious—or at least it will be when you start getting late-night calls from Aunt Tillie asking about your schedule for an IPO. But hitting up relatives is how a lot of businesses get going. It's what Kyle Campos and his older brother Aaron had to do.

In 2004 the brothers, both software engineers, quit their jobs in Santa Barbara and decamped to Buckeye, Ariz. After visiting relatives there earlier that year, Kyle had become convinced that the town was "filled with wide-open opportunities," especially compared with the software biz. "The tech sector was getting hit hard," says Aaron. "I didn't have a good feeling."

Aaron and Kyle, neither of whom had run a business before, began brainstorming about starting one together. Both had frequented a smoothie joint in Santa Barbara, and they fell in love with the idea of starting their own. They found an industry consultant online who helped them write a business plan. Then they hired an experienced designer. The Main Squeeze would be a 1,200-square-foot store with hardwood floors and stainless-steel tables. And it would cost more than the \$130,000 they had saved.

That's when they drew up a list of 40 friends and relatives they could solicit as investors. "We wanted it to seem like we were offering them an authentic business opportunity," notes Kyle. For that they turned to CircleLending, a site that helps informal borrowers create formal lending deals. The siblings spent \$99 to set up a loan agreement, choosing an attractive interest rate (9%), a repayment schedule they figured they could afford (either five or seven years) and a \$1,000 minimum. Four folks each lent them \$1,000, and another four each threw in \$5,000. Last year the Campos brothers whipped up a profitable \$210,000 in sales, and they've been paying their investors on schedule for close to two years. Says Kyle: "Not one has complained."

HOW YOU CAN DO IT Visit CircleLending.com for free guides about personal loans. The outfit charges \$99 to \$199 to help you get started and provides ongoing services such as sending out payments (\$9 a pop). Rather beg from strangers? Prosper.com matches small (up to \$25,000) borrowers and lenders.



The Campos family team: from left, Melissa and husband Kyle, Aaron and wife Estrella

THE GAME GAME

MICHAEL VIEN, 36 /// BEVERLY, MASS.

Prep as much as you can while you're on someone else's payroll

On the surface Michael Vien's move sounds ridiculously impulsive: He walked away from a mid-six-figure job in product development at Fidelity Investments to make games for kids. "I got strange looks from everyone," admits Vien. And that was before he said he was intent on making board games—you know, the kind folks played before computer games.

Yet in a key way, the move was thoroughly calculated. By the time he left his job this past February to make Poppo Brands a full-time occupation, Vien had already designed

what to expect

WHEN YOU'RE EXPECTING TO START A BUSINESS

Before you ditch your job to become your own boss, remember this: Entrepreneurship is time consuming, stressful and draining—and that's before you even launch. "People don't appreciate how much work there is to do at the pre-start-up stage," says Michael Vien, who spent a year planning his business before going solo. Take these steps first; then you can walk out the door.

1 Work two jobs. Get as much of your new business as you can set up while you're still collecting a regular paycheck. You want to exit your job with a business plan in hand—you can pick up the basics at sba.gov or by reading gobignetwork.com, where entrepreneurs discuss business plans (check the Getting Started forum). Or you can hire an adviser for \$2,500 or more. To refine your pitch, meet with investors, even if you don't need their money right away. If you're launching a business in an entirely new field, consider taking a part-time job in that industry first.

2 Plan to survive on your new nonsalary. Once you have an idea for your venture, you need to think realistically about how much money it'll take to get going and how you'll support yourself and your family while you're not drawing a salary. Expect that period to last a year or longer, so put aside at least 12 months' worth of living expenses. Another alternative is to moonlight during the first few years. To bring in money, gamemaker Vien is doing marketing consulting part time for small business owners he knows from his previous financial services job.

3 Sell your family on the idea. Running your own business is supposed to give you flexibility, but not when it's a start-up. It will chew up every minute. Whatever else your company makes, you can be sure that it will manufacture guilt at a steady rate. So warn your spouse and kids: You won't be around as much. "Get your family together and ask them what they think about your plan," says Tom Gegax, consultant and co-author of *The Big Book of Small Business*. "When the clock starts ticking, the stress can be paralyzing. You'll need them to understand."

4 Keep your benefits coming. Don't forget to hold on to your health insurance; under COBRA rules you can extend corporate coverage for 18 months on your own dime. By then your company should be robust enough to afford a policy. Once you hire one person, you'll qualify for a group policy, which is almost always cheaper than an individual plan. You can leave your 401(k) behind at your former employer, but you may want to roll it over into an IRA. Then when you open your business' retirement plan, you'll have a relationship with a fund company or an investment manager.

the word games Poppo and Zotto and tested them on 500 children. He'd manufactured thousands in China and found free storage space in a friend's warehouse. And he was signed up for the Toy Fair, the industry trade show, and had stashed



away \$200,000—half from savings, half from friends—enough for nearly two years, according to his budget. All while working full time.

Vien, who had toiled at a desk for 14 years, came up with his idea on New Year's Eve 2005 while playing a board game with his two kids. The next morning he grabbed 24 games from store shelves, then used the parts to make a prototype of a game that requires players to press a plastic "popper" to shake an eight-sided die covered with letters. Vien often worked from 10 p.m. to 2 a.m. writing a business plan and finding suppliers in China. He even took

night shifts at toy stores so he could gauge consumer interest, see which packaging worked and figure out how much to charge. Six months into his part-time venture, he told HR he had something on the side. Another six months later, "I opened the escape hatch and out I went," says Vien, who sold almost \$50,000 in games within 90 days of leaving.

HOW YOU CAN DO IT By starting your business on the side, you can assess its viability without giving up steady pay and benefits. But don't cheat your employer. "Start working like you do two days before vacation," says consultant Tom Gegax, who founded retailer Tires Plus while he was still at Shell Oil. "Do your work in 40 hours a week, not 55." Many companies have policies about moonlighting, but in general it's okay as long as you do it on your time—and aren't starting a competitor.

DESIGN FOR LIVING

SANDY IP, 28 /// NEW YORK CITY

Do what makes you happy—because at first, happiness is likely to be your main reward

Sandy Ip is still a little stunned at what hard work it is to build a business. She sounds almost apologetic as she tallies up her first jewelry line's sales: \$45,000 in eight months. "Not great, I know," she says. Then again, founding a jewelry firm was not what she expected to do or what was expected of her when she earned her M.B.A. "My parents are totally against this," says the



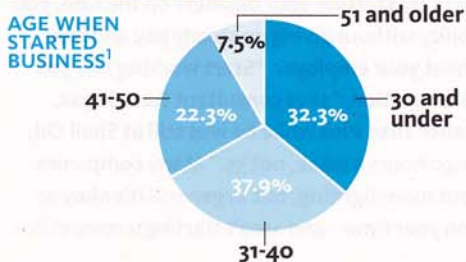
Hong Kong native. (She has yet to tell them about the \$30,000 mortgage she took out on her apartment for seed money.) Two years ago she started importing jewelry from an Asian factory run by a business-school friend and selling it at crafts shows. Sensing she could do more, she quit her job at a real estate investment firm in 2006 and abandoned the Wall Street career she seemed destined to have. "I wasn't really happy," she says. "I had done what my family wanted."

But she knew zilch about the jewelry business. She began reading blogs and magazines, and she quizzed every sales rep she met. She soon realized that she wanted to design her own line, which took six months. Her factory-owning friend agreed to make samples. Ip used Google to track down every jewelry showroom in New York City, then called each. The few that returned her calls got photos; if they kept talking to her, she brought them sketches. Her persistence paid off when one eventually agreed to sell her work, and that break earned her the attention of Bloomingdales.com and Off Saks Fifth Avenue stores. (She also sells direct to consumers over her website, ippie.com.) "We're moving ahead," says Ip. "And I'm doing what makes me happy."

HOW YOU CAN DO IT To cut costs, do what the big boys do: Go offshore. Solicit bids on all types of projects from firms worldwide at elance.com. Hook up with tech specialists in India through inventureglobal.com.

PROFILING COURAGE

The most common time to start a business is in your thirties.



NETWORK EXECUTIVE

SANDI WEBSTER, 45 /// NEWARK

It's not who you know—it's how well you keep in touch with them

Sandi Webster spent 15 years collecting the raw material she'd need to start a business. She just didn't know it at the time. As director of marketing at American Express, Webster, along with colleague Peggy McHale, helped launch automatic bill payment in the late 1990s, a project that hooked them up with many of AmEx's 128 business partners. "We had our tentacles in different companies," Webster says. "And those people knew the quality of our work." That came in handy in December 2001 when both of them were laid off. Deciding that "we didn't want to be employees anymore," they co-founded Consultants 2 Go, providing marketing help to big and medium-size companies. After coughing up \$1,000 apiece to upgrade their computers and buy quality printers, they got on their phones—not landlines, because of the expense. An attorney they knew let them sublet an office, accepting payment in the form of marketing wisdom. Webster pitched their services to the companies they had met through AmEx, tailoring her words to their needs. If she knew they focused on database marketing, she'd highlight her experience there. Need a brochure? She'd offer to send a sample of one she'd made. "It was an advantage that I knew what they did," she says, "and even better if I knew what they needed."



To find consultants to work for them, the pair called folks they knew through AmEx. Even now the majority of the company's 40 consultants are former colleagues. "A lot of our friends were on the mommy track or had elderly parents to care for," says Webster. "They wanted the flexibility." There are still more she'd like to bring on. Webster stays in touch with them, finding a reason to call every couple of months. If an e-mail bounces back or the phone number doesn't work, she tracks them down through mutual friends. "My contacts don't grow old," she says, "and I make sure they never die."

New business owners usually have ample industry experience...

65 PERCENT previously worked in the same industry.

12 YEARS is their median time in industry before going solo.

NOTE: ¹Of those with known ages.



Michael Mischer's chocolates may be sumptuous, but his budget is bare bones.

← LEAN CUISINE

MICHAEL MISCHER, 48 /// OAKLAND

You'll amaze yourself at how cheaply you can run a business when it's yours

You can get some start-ups moving with hardly any money. But Michael Mischer has been racing against high fixed costs from Day One. In 2004 he opened a store to sell chocolates he makes, and that 1,700-square-foot space, Michael Mischer Chocolates, came with an unavoidable rental price tag of \$2,800 a month. That gave him 2,800 reasons to keep the rest of his expenses as low as possible. "I was very confident I could get this going with what I had," he says.

Mischer spent \$75,000 to remake the former office space. About half went into electrical and plumbing systems, both of which had to be installed by professionals to meet local codes. Mischer did as much dirty work as he could, saving \$2,000, for instance, by yanking out old carpeting. Fortunately for his budget, Mischer prefers "the lean look" in store design. Rather than shelling out for fancy glass cases, he displays his sweets on white plates. The one exception: He spent \$12,000 on a showcase for gelato.

He's stayed stingy with his operating budget. He has yet to hire a full-time employee, although he's got three part-timers to mind the counter. He prefers to be in the back, where he makes the chocolates using machinery that is mostly left over from an earlier bakery venture. That business didn't last, but things look good for the former pastry chef's latest venture. It has annual revenue of about \$250,000 and is already profitable.

Even though the company reached \$1 million in sales last year, the founders have yet to make a full-time hire. Webster thinks the time to bring in an employee may come soon. When that day does arrive, she says, "I probably know somebody."

HOW YOU CAN DO IT When you exit a job, keep your network alive. Schedule lunches with colleagues and contacts. Make regular calls—you'd love to know how the kids' soccer teams are doing. Send them articles you think they'd like, attaching a note. Webster joins as many organizations as she can and makes sure everybody she meets hears her one-minute elevator pitch, even if he or she isn't a potential client. "You never know who that person is married to," she says.

...and have often worked for small companies before founding their new venture.

32%

of business owners come from firms with fewer than 10 employees.

8%

of all workers are employed by small firms.

SOURCES: National Small Business Poll, 2002; National Federation of Small Businesses/Wells Fargo; Bureau of Labor Statistics, U.S. Census Bureau.

HOW YOU CAN DO IT Consider your business a work in progress, which means starting with a bare-bones version of what you're imagining. If you can't afford the space for a restaurant, start with a kiosk. Corner office? Nope. Let your home do double duty—and find a conference room when you need to meet with clients (libraries often have them). Remember these cost-control basics: Buy used equipment, hire contract labor (see "Resources" on page 85), and plan to live off your savings for a year. Mischer's wife, a jewelry designer, was able to cover the family's expenses during his first year in business.