"This practical book, based on proven principles, gives you the tools, techniques, and mindset to achieve financial independence faster than you ever thought possible."

— **Brian Tracy**, author of *The Way to Wealth*

One Million in the Bank

HOW TO MAKE $1,000,000 WITH YOUR OWN BUSINESS, EVEN IF YOU HAVE NO MONEY OR EXPERIENCE

MICHAEL L. F. SLAVIN

Praise for *One Million in the Bank*

"This practical book, based on proven principles, gives you the tools, techniques, and mindset to achieve financial independence faster than you ever thought possible."

—Brian Tracy, author of *Million Dollar Habits*

"*One Million* is an extraordinary book. Slavin has drawn on a career that began with no background in business and shared the most practical, and therefore useful, insights, ideas, and information I have ever read on what it takes to start a successful company."

—Bryan Mattimore, cofounder of The Growth Engine Company and author of *Idea Stormers*

"Michael Slavin provides relevant and actionable advice based on his own experiences and those of everyday people from all walks of life, showing how anyone—and I mean anyone—can seek and obtain financial success."

—Kelly Perdew, winner of *The Apprentice* Season 2

"I wish I'd had this book when I started my company. Since I didn't, I had to learn everything through trial and error. Still, I was able to go from zero to millionaire in just two years. I know Mike's principles work because they're exactly the ones I used."

—Rick Staly, undersheriff of Flagler County and founder of American Eagle Sentry

"All the drive in the world is wasted if you don't know what to do. Mike has filled a gap in the entrepreneurship literature by writing an insightful and accessible how-to guide for ordinary people. With a mix of advice and anecdotes, he shows how anyone can build a successful business from scratch."

—Derek Lewis, author of *The Business Book Bible*

"It was amazing: as I read this book, it was like Mike was speaking straight to me. The American Dream of being financially stable and having a million dollars in the bank is still alive and strong! Mike provides you with a roadmap of how to get there and success stories of individuals who have already achieved their dream. This is a must-read."

—Kiril Logvinoff, middle market merger and acquisition specialist

"Mike will open your eyes to possibilities you never thought were possible. Money is everywhere, help abounds, and innovation is much less important than hard work and smart execution. This book should get you moving."

—Joy Montgomery, small business and startup consultant and Western Region mentor chair for the Cleantech Open

"At a time when our economy desperately needs new businesses, Mike has provided a fantastic roadmap. This book is not only full of time-tested wisdom but also contains the essential encouragement any new entrepreneur needs. As someone who's started many new ventures, I highly recommend this book! I wish I'd had it!"

—Dr. John Opincar, CPA, CMGA, executive, mentor, teacher, and author of *Ethical Intelligence*

One Million in the Bank

Golden Mean Press

Published in the United States by Golden Mean Press
www.goldenmeanpress.com

Library of Congress Control Number: 2015911093

ISBNs: 978-0-9961186-0-6 (paperback); 978-0-996-1186-7-5 (ePub); 978-0-9961186-2-0 (Kindle)

Cover design by Ana Grigoriu
eBook design by Mayfly Design
Editing by Derek Lewis and Anthony Sulwer
Proofreading by Michael LaRocca and Matthew Greenfield

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EVEN IF YOU HAVE NO MONEY OR EXPERIENCE

MICHAEL L. F. SLAVIN

To Won, Nick, Deeds, Gram, and Grump

Contents

Why You Should Read This Book

I used to be you. After ten years of honorable service to my country, I went into the private sector and found challenges I'd never encountered before. I had big plans and big ideas, but for seven years I struggled to just survive. I went bankrupt. My wife and son watched our car get repossessed. We were kicked out of our rent house during Christmas—right after my young son had decorated the tree. Finally, I learned the principles described in this book and started a tried and true business. Within three and a half years, I went from negative numbers to having seven figures in my bank account.

I want to save you all the headache and heartache I went through, if I can. Or, if you're in the middle of your own troubles, I want to show you how to not only improve your situation but how to literally change your life. I wish I'd known the simple yet profound information I have learned since those hard times and now share in these pages.

Through my own experience and after interviewing dozens of other successful entrepreneurs, this is what I've discovered: whoever you are, you already have what it takes to start a million-dollar business. You don't need more education, more money, or more time. Thousands of seemingly boring, everyday businesses quietly earn their owners six-figure incomes or more, year after year.

You don't need to have or be anything special to be a successful small business owner. In this book, I provide you the simple roadmap you need to start a business that puts $1,000,000 in your personal bank account—regardless of your location, education, race, gender, or age.

You'll read stories of everyday people from all backgrounds that I've personally interviewed and vetted, from people with graduate degrees to high school dropouts, and from yard guys to corporate professionals. Really,

the only thing they all have in common is that they've put $1,000,000 in the bank (or will shortly).

This is not a get-rich-quick book. These everyday businesses take time and effort to build. As you'll see, it takes at least three years, and sometimes as long as a decade. But it's worth it.

There are three key ideas to small business success:

- You don't need to come up with anything new—you just need a tried and true business model.
- You don't need any money—all the money you need is hiding in plain sight.
- There are millions of dollars' worth of help, advice, and consulting available to you right now—absolutely free.

Here's a quick breakdown of the book. Part I is about how to pick a tried and true business model that you know works, and then how to find the help you need to get started. Part II is about money: how to find it, how to spend it, and how to save it. Part III is about the basic sales and marketing skills critical to starting your business. Lastly, Part IV is about the personal skills critical to maintaining your business.

You don't have to stop at $1,000,000. You don't have to stop at one business. But this book is where you start.

Chapter 1:

The Three Keys to One Million in the Bank

You don't need a million-dollar idea to make $1,000,000.

Plenty of everyday businesses, run by everyday, ordinary people, make extraordinary money. You don't have to come up with the next Facebook or Amazon. You don't need to be the next Bill Gates or Steve Jobs. You don't even need a new idea. Every day, thousands of seemingly boring, unremarkable businesses quietly make their owners a lot of money.

Mine was one of them. When my partner and I began our company, we didn't have something new to offer. We didn't even have an original business idea. We lost confidence in our former employer and decided to use what we had learned to start our own company. We used the same systems, the same approach, and sold to the same market (but not to the same customers—we didn't take anything from our former employer except the skills we had learned). After one year, I bought my partner out. Within just three years of that, I had $1,000,000 sitting in my bank account.

I could tell you all about the perils and pitfalls I had to go through, but that's not what this book is about. Instead, I'm going to share with you the secrets to doing this for yourself—drawing mostly from how other everyday entrepreneurs have done it (or soon will). The people you're going to read about have either already put $1,000,000 in the bank, have a business they could easily sell for $1,000,000, or are solidly on the path to doing so. I have personally interviewed these down-to-earth, average Joes (and Janes) to understand what they've done and how they did it.

Why focus on their experiences instead of my own?

I want to prove to you that whoever you are, you can put $1,000,000 in the bank. The way I did it would only show you one way. You could easily dismiss it, calling it a fluke or luck. But the lessons I share in this book are based on the stories of people from all walks of life. From white collar administrators to blue collar machinists to day laborers, from wealthy to wanting, and from every ethnic background—whoever you are, you're represented in the group of entrepreneurs who form the foundation of this book.

Let me show you a great example of what I'm talking about with Frank Nuñez. Born on a farm in rural Mexico (with fourteen siblings), Frank came to the United States without his parents when he was just sixteen years old. For the next seventeen years, he was a yardman. He cut, trimmed, weeded, planted, and did everything else yardmen do. One day while picking up some shrubs at the local nursery, he fell into conversation with the nursery owner. The man said he was moving and jokingly asked Frank if he'd like to buy the place lock, stock, and barrel. Going along with the joke, Frank asked how much he wanted for it—$1,000,000? When the owner said $25,000, Frank stopped joking. Even though he had no savings and no collateral, $25,000 was within the realm of possibility. Although Frank had never really thought about owning a business before, he was suddenly seriously considering it.

He went to every family member, friend, and acquaintance he knew to borrow the money, but could only raise $15,000. He showed up with the cash and said, "This is all I could get." To his surprise, the owner said it wasn't a problem. He agreed to let Frank pay him the other $10,000 out of the nursery's profits over the next twelve months. They signed the papers, shook hands, and this former yardman was suddenly running Frank's Nursery in Richmond, Texas.

Shortly thereafter, he found out why the business was such a steal. The owner had misrepresented the financials. After doing the math, Frank saw he would be out of operating capital within a few months. He needed an infusion of money. With all of his friends and family tapped out from their initial loan to him, he had to turn to the banks for help.

He went to eleven different places asking for a loan. Every single one of them flat turned him down. At the last bank, though, the loan officer sent him to the local Small Business Development Center (SBDC) for help. The SBDC counselor there helped him organize his financials and other business documents, then helped him prepare a business plan. Frank went back to the last banker, presented his business plan, and secured the loan.

Fast forward thirteen years—thirteen years of hard work for Frank and his wife, usually seven days a week, and often in 100+ degree heat. During that time, Frank got his business on solid ground again, repaid all of his family and friends, and reinvested his profits into the business. He steadily expanded. Starting with just half an acre, he grew into adjacent lots, then others nearby, and now occupies fourteen acres maintained by twenty-five employees. Today, his biggest problem is trying to find more land for his growing enterprise. The year prior to our interview, his gross revenue was $3,000,000. In fact, just eight years into his business, he turned down an unsolicited offer of $9,500,000 for his business, including his real estate—a far cry from the $25,000 he originally paid for it.

Let's step back for a moment to look at this again. Frank's native language is not English. He didn't have the opportunity to graduate high school, much less college. He had zero personal capital to begin with, and no prior business experience. In other words, the only things he had going for him were a great work ethic, a trustworthy reputation, and the courage to give it a shot. Yet in just eight years, his nursery business had made him a millionaire.

In Frank's words, "My wife and I have worked very hard…and we have been blessed by God."

THE ONLY THREE THINGS YOU NEED TO KNOW

Frank's story epitomizes the only three things you need to know:

1. You don't need an innovative business idea.
2. You don't need money—you can be completely broke.
3. There's plenty of free help available.

While I try to cover a lot of ground in this book, those are the three fundamental principles you need to know. Like most people, when I used to consider starting a business, I thought it had to be something new and creative. It never crossed my mind that a small landscaping business, a clothing boutique, an independent gym, or other tried and true businesses could generate $1,000,000 of clear profit in just a few years.

After working for another company that sold investments to individuals, I discovered that you don't actually need your own money to start a business. When I put my own company together, I raised over $200,000 from just four private investors. I have since met people from all walks of life who want to invest in something besides Wall Street. Look at Frank's example: he raised $15,000 from friends and family who simply believed in him. If you have a decent business idea, I promise the money is out there. You don't need to go pitch a roomful of venture capitalists or New York stockbrokers to get started. You'd be surprised at how many people in your own city would be willing to put some money toward your idea.

Lastly, you don't have to worry about being unprepared. There are mentors and programs in your own city that can equip you with everything you need to know to start your business. Between federal, state, and local governments pouring millions of dollars into entrepreneurship programs,

and the hundreds of business professionals who volunteer thousands of hours every year, there is plenty of free help available to you for the asking.

That's all you need to know to put $1,000,000 in the bank: it doesn't take a new idea, there's no money required, and there's plenty of free help available.

When I speak to other people, I discover they think the same way I used to. They can't think of any creative new product, they can't imagine how they could get the money to start up a company, and they don't believe they could survive without a job long enough to turn a profit. They give up before they ever begin.

But as Frank's story just illustrated, and as I'll demonstrate over and over in this book, it doesn't take much. You don't need a Harvard education. I know, or know of, plenty of successful people who never got past the eighth grade.

You don't need a blue blood pedigree. My own mother was an alcoholic teenager who had to give me up to my grandparents to be raised in a small city in Missouri. I was the first person in my family to even go to college.

You don't even have to be fluent in English. Plenty of immigrants who can't read or write English well have opened successful nail salons, restaurants, gas stations, and other small enterprises that eventually put them in the top 1% of income earners.

WHY STOP AT $1,000,000?

The old saying goes, "The first million is the hardest."

If you want to earn a hundred million or become the next Donald Trump, you can give it a try. But you can't get to a billion without first getting to a million.

The first seven-figure balance in your bank account is the most important milestone in your financial success. If you can reach it, then you can build

on that success. And $1,000,000 is within virtually anyone's reach. You don't need a big organization or to worry about national markets. You can make $1,000,000 in any decent-sized American city.

Of course, it's not just about putting a large sum of money in your bank account. They say money can't buy happiness, but it can make your life better. With financial success comes financial stability. The more money you have, the more options and freedom you have. With enough money, you can support yourself, your loved ones, and the causes you believe in.

WHY IS A BUSINESS THE BEST WAY TO GO?

Most books on wealth creation fall into one of two areas.

There are books on personal finance that show you how to make a budget, allocate funds accordingly, and save a small amount of your income over a long period of time. While I agree with most of these books' advice and principles, their approach is incomplete and, with respect to saving, too tentative. Many advise you to save 10% of your after-tax income, whereas I believe you should try to save far more. Jacob Lund Fisker, who wrote a guest chapter in this book, advocates extreme saving—as much as 75%. I never came close to this while starting my business, but I think his arguments deserve strong consideration.

Other wealth creation books mostly focus on motivation and "big dreams." They talk about changing your attitude and mental perspective, or attracting money into your life. While they may certainly inspire you to expand your horizons and help you see other possibilities, they rarely offer much practical advice. If you examine the authors, you'll often find they made their money by telling other people how to make money. We can't all be motivational speakers. At some point, somebody has to make something.

Few wealth creation books tell you the full story and provide a practical, step-by-step roadmap to starting and growing a business that can make you a

millionaire. Statistically, the best route to financial independence is to own your own business. The typical American millionaire is not the CEO of a *Fortune* 500 company or a talented college student who invented a new gizmo. Most millionaires are small business owners. Sure, plenty of them are doctors and dentists with their own practices, but these educated professionals are outnumbered by the merchants on Main Street and the construction contractors running a couple of crews.

Having your own business is the best way to $1,000,000—and the more ordinary and predictable your business, the better.

WHY DOES IT TAKE THREE TO SEVEN YEARS?

There are very few overnight successes.

Between the time I left the Army and finally beginning what would become my successful business, I spent seven long years trudging from one place to the next. These were my "in-between" years: in-between jobs, in-between businesses, and in-between a successful career as an Army officer and a business owner.

Money was often tight. At one point, we were forced to declare bankruptcy. We had our home foreclosed on. After our car was repossessed, I had to go to my friends to borrow some money to get another one so I could go try to find yet another job.

One particularly painful memory was the time we had to move out of a rental house just before the holidays. My five-year-old son had just finished decorating the Christmas tree with his mother. When we told him we had to move to another home, he couldn't understand. I tried to convince him it was a nicer house and that it would be better, but he insisted we stay. Eventually, I had to carry him out. When we got to our new rental house, he sat down and cried. He said he liked our other house better—the one with his Christmas tree. I looked over to see my wife crying in the corner, which

broke my heart even more. We had Christmas as best we could, but it wasn't an easy one.

Difficult times often bring people together, and it was true for the three of us. We had love, we had each other, and we had hope. My wife kept faith in me and made the best of what we had. Many of my jobs or businesses allowed me to work from the house and I got to spend far more time with my son than I would have otherwise. I treasure those memories.

My lack of success wasn't for lack of trying. I wanted to win so badly it hurt. I kept going forward, doing everything I knew to do, learning as much as I could, and never giving up.

I share all of this to underscore a critical lesson: if you'll take to heart what I share in this book, you won't have to go through everything I went through. You can skip those seven in-between years (or ten…or twenty…) of your own. I wish I knew then what I know now. I can't go back, but I can at least try to make it easier for you.

If you want a get-rich-quick scheme, you're reading the wrong book. You will have to earn this money. You won't get $1,000,000 from the lottery, nailing a lucky investment, or any other fairy tale you read about. Creating a business requires a big picture perspective and a willingness to make a long-term investment of your time and resources.

I found that most of the millionaires I interviewed for this book had their first $1,000,000 in the bank three to seven years from committing to start their business. However you do it, the one thing your journey to a million-dollar business will take is time.

On the other hand, if you knew that you could earn $1,000,000 in seven years—guaranteed—would you do it? What if you ran into some bad luck and it took you ten years? Would you still be willing to invest the time and energy?

That's the outlook you have to have. Instead of thinking about next week, next month, or even next year, you have to be thinking about the next five years and the next decade. It takes time to develop a business that generates serious profit. You need to cultivate the right skills, knowledge, and contacts to enable you to reach that long-term goal.

WHY A TRIED AND TRUE BUSINESS?

When you think about it, it actually makes a lot of sense.

Anything new carries a large degree of risk. New technologies sometimes take years before being accepted in the market. The more novel your idea is, the harder it may be to convince your customers to buy, your bankers to lend, and your investors to understand. The more innovative your business structure, the less resources, guides, mentors, and teachers there are to help you. And if you're new to being a business owner yourself, that adds a whole other degree of complexity.

You can succeed easier with less risk by going with a business that's already proven to be a success. A security company, tour business, or clothing boutique may not be glamorous. That's okay. One of the main tenets of having a successful business is getting good advice, and first-time business owners should look for all the help they can get. The more common your business is, the more you can find reliable knowledge, resources, and even coaches who built and sold a virtually identical business themselves.

Trying to find a brand new, million-dollar idea can easily result in paralysis, disappointment, and giving up before you even get going. If you try so hard to find a unique idea and come up blank, you may never even begin. If you do think of something "new," when you search for it, you'll probably find someone, somewhere, already producing it. Either way leads to frustration, and frustration kills energy and enthusiasm. This naturally

leads to a feeling of failure. That, in turn, leaves you feeling hopeless and helpless.

You don't have to give up all your creativity and originality. What I'm encouraging you to do is to get $1,000,000 in the bank first. With the skills, insights, and experiences you'll necessarily gain along the way, you'll be in a far stronger position to do something new. In the beginning, though, just focus on copying success.

But don't mistake "tried and true" for boring. Even a run-of-the-mill business takes an enormous amount of innovation. Every company deals with more than just bookkeeping, spreadsheets, and paychecks. Solving problems, managing people, adapting to new ways of selling, and trying to market to your customers requires a lot of creativity. Challenges and obstacles will constantly arise. Sometimes those can be overcome with a common sense approach, but often they require some creative twist. Even an optimized business can streamline only about 80% of its processes. The other 20% require real thought and sometimes an original approach.

Owning and operating a business requires great creativity. It just looks different than how most people define it. It's less about coming up with a fundamentally new product and more about finding new ways to get where you're going. Your management and leadership skills will develop and grow. Your different experiences and perspectives will come into play.

Once you're in the weeds, you'll see opportunities no one but you could have seen.

THE ROADMAP TO $1,000,000

Here's the eight-step process I've discovered through trial and error, experience, and observation.

Step 1: Really believe you can do it (or fake it 'til you make it) and take action on that belief

Don't concentrate on your passions. Instead, focus on economics, logistics, and a business you can execute. Then, firmly make the decision to start a business. Nothing else matters until you get serious about putting $1,000,000 in the bank. Without that upfront commitment, you'll do everything half-heartedly. With that commitment, though, you'll find ways to make everything else happen.

Step 2: Research your business

Use the internet to research the kind of company you want to start. Go to your local SBDC (Small Business Development Center) or SCORE (formerly the Service Corps of Retired Executives) office and ask for help. Find other business owners outside of your market and ask them for advice. Find out everything you can before you waste your time and money learning the hard way. Keep in mind:

- You do not need an innovative idea
- Start with a profitable, tried and true business
- Seek out all material available, including online resources and as many books and other materials as you can lay your hands on
- Ask business owners about the type of business you are considering

Step 3: Learn the business skills

Many people go into business for themselves to leverage an industry-specific skill set. When I started my company, I simply transferred my experience from my former employer. It makes sense. But the technical skills are only half of the business and, frankly, the less important one. The critical half is being able to manage the business itself. You need to know how to manage your cash flow, how to hire and fire personnel, how to market, and such basics as it takes to run a business. To fill your skill gaps, go to SBDC,

SCORE, and other sources of mentors and educational classes. Plus you should look for free advice to increase your skills in any other way possible.

Step 4: Start writing a business plan

You should be working on your plan from Day 1, but you don't need to complete it before you begin acting on it. Regardless of how you use it or with whom you share it, write it for yourself first. It is a tool to help you get all your ideas out of your head and organized in black and white. Starting a business plan puts you in action and helps you solidify your thoughts.

Step 5: Find the money

If you've done your homework and have a solid plan, I promise you—the money's out there. Start looking for contacts and potential investors as soon as you decide to start a business. You could also consider bootstrapping on your own. Whatever you do, look at different possible options, including a loan or selling equity in your business to investors. Money is everywhere. I've found investors for my companies in such mundane places as elevators and even a waiting room at a car wash. Your vendors may front you the equipment, you could pre-sell memberships to your customers, or you could begin your business in a free space (like a fitness trainer teaching classes in a public park) and pay as you go.

Step 6: Execute

Most of the successful entrepreneurs I've met did something similar to the steps laid out above. Most of the business failures I've spoken to did little research, were ill-prepared, and sought advice from almost no one. The best approach is to have a solid plan thoroughly researched before you start and to set down all your operating procedures and policies (i.e., start an operating manual to help you consistently execute day-to-day operations).

Step 7: Scale

Consider having more locations and more products, leveraging the internet, franchising your company, or a combination of these. In the beginning, you may have to do it all, but as you scale up, always be working toward building a business in which you are not required for day-to-day operations. Strive to make it a system that anyone could step into and immediately be running the business. You don't want to create yet another job for yourself. You want to create a business that can function without you.

Step 8: Have an exit strategy

Even if you don't foresee yourself selling your business anytime soon, stay organized and keep good records as you build your company so you can easily sell it if you need to. Until then, keep it running and enjoy the profit.

Keep in mind that many of these steps will naturally overlap, but all must be addressed. If you look at this list and say it's too easy, you'd be right and wrong. Everyday businesses are not rocket science. It doesn't take a Ph.D. in management to run a soccer retail store or even a multi-million-dollar company with multiple locations. That's the great thing about running a small business—with the right prep work, just about anybody can do it.

Case Study:

How Going Fishing Landed Ken a Million Bucks

Ken Robinson joined the Army at seventeen years old and served in Desert Storm as an infantryman. After his four years of service, he got out and found a job as a corrections officer in Illinois. He was young, had a happy marriage, and enjoyed his work. He always thought about starting a business in the back of his mind, but he didn't really know what he'd do. His skills as a soldier and prison guard weren't exactly in demand.

One warm, beautiful day, Ken was sitting on the lakeshore fishing. Though he had been sitting there for a while, he had caught nothing. The whole time he watched a guy in a boat out on the water who seemed like he was catching every fish in the lake.

Ken told me how he felt: envious.

He wanted a boat, too. But he knew he couldn't afford it on his salary. He decided to get serious about starting a business. Otherwise, he'd never have enough.

Ken racked his brain for an idea. The only thing he could come up with is how he helped a guy roof his house before he enlisted. The more he thought about it, the more excited he got. All he'd really need is a hammer and some nails. Since he worked the evening shift, he could roof during the day and still hold his corrections position in the evening. He could make extra money and still have all his employment benefits.

Of course, as soon as he started sharing his idea with his friends, they told him not to do it. It was too hard, there was too much liability, there was too

much competition, he'd have to find employees, the taxes were so high—on and on they went. The one person who supported him was his wife, Barb.

After all that negativity, he was ready to give up on his idea. He was a guard, and maybe that was all he was cut out to do. While he was getting his hair cut, though, he told his barber about his idea.

The barber said, "Well, I need a new roof. If you know what you're doing and can do a good job, you can roof my house."

Ken jumped at the chance. He had the barber buy the material, got two friends to come help him—telling them upfront that he couldn't pay them until the job was over—then bought three hammers and some nails. At twenty-three years old, Ken Robinson was in business for himself for only $200.

He did a good job and his barber became his best advertisement, telling everybody about Ken. Shortly thereafter, he did the roof of a local salesperson who also started referring people to Ken by the truckload. His first year he only had a net revenue of about $20,000 after paying his roofers. He kept it up, working his evening shift, sleeping a few hours, and then roofing during the day.

In just four years, he was running two crews with nineteen employees and wasn't lifting a hammer himself anymore. He managed the business, got the orders, and met with the customers. His "side business" was making him $200,000 a year in net revenue.

He not only maintained his job at the prison but did it so well that he was offered a promotion to lieutenant. But to take the promotion, he'd have to relocate to northern Illinois. That meant he'd have to leave his entire business behind. When he asked Barb what she thought, she said, "You do what makes you happy. We'll be all right, whatever you decide." He decided to take the promotion and sell his business, which pocketed him $300,000.

Even before settling into his new home, he was thinking about his next business. He didn't want to start another roofing company. While he was good at it, it was just too time intensive for a father with a young family.

After doing some investigating, he found a spot a short drive away that was poised to become a resort town. It wasn't quite there, but he could tell it had all the right things to become something. With the money from selling his roofing business and a $100,000 loan from the bank, he bought eighty acres and began to develop the site.

Five years later, Lost Trails Cabins in Ava, Illinois has three fully furnished cabins to rent out, plus other amenities he's developing on the property. He's currently netting about $6,000 a month and believes he's only scratched the surface. As it is, he could currently sell the property for over $1,000,000.

And yes—Ken bought his boat.

PART I:

PICKING A TRIED AND TRUE BUSINESS

Chapter 2:

Picking a Business

One morning on vacation, while standing in the bagel line, I struck up a conversation with the woman in front of me. She turned out to be a young attorney who didn't really enjoy being an attorney. But she already had her degree, was making good money, and felt stuck where she was.

Ever the entrepreneur, I asked her if she had considered starting her own business. She confided that an older attorney had actually approached her about taking over his law-related business—but she turned him down.

"I'm not an entrepreneur. I just don't want to take on all that risk," she said.

I pointed out that being an employee is just as risky in some aspects, if not more so. Her employer could fire her. Her job could be outsourced. Her firm could fold through no fault of her own. There's plenty of risk in being an employee. Plus, she only got paid the number of hours she worked. Even if she charged $2,000 an hour, she would still be an hourly wage earner. After a lengthy conversation, she was fired up and declared she was going to sit down with her acquaintance as soon as she got back and seriously explore his offer.

You might not be so lucky as to have a business opportunity fall in your lap like she did. So how should you go about picking what business to start?

STRATEGY #1: LEARN YOUR BUSINESS BY WORKING IN SOMEONE ELSE'S

Patty Drake's story is a great example of starting a business from what she learned working for others. Although she had taken some college courses, Patty didn't graduate with a degree. As it happened, she found herself being a tour guide and tour bus driver for fifteen years. She quit to raise her family.

At fifty-three, she found herself unemployed. Her husband's salary paid the bills, but there wasn't much left over. Thinking back to her tour guide days, she told her husband she thought she could put a tour together. With his urging and support, she approached a friend who was still in the business. Just based on her reputation, he required no collateral. Her friend let her use the bus first and pay him out of her proceeds afterward. She quickly put together a tour with senior citizens and, just as quickly, it sold out. With the extra money she made, she put together another tour. And then another. Before she knew it, she was running a full-fledged tour business: Patty's Tours in Reno, Nevada.

To break down what happened the next few years, covering expanding, hiring employees, and getting free business advice:

Year	*Gross Sales*	*Net Profit After Tax*
2011	$12,000	$1,500
2012	$92,000	$11,500
2013	$250,000	$50,000
2014	$500,000	$125,000
2015 (est.)	$1,000,000	$250,000

Again, Patty had no startup capital, didn't have a novel idea for a new business, and had no formal business training. If she had found the free business resources sooner, I believe she would be almost two years ahead of her current success. That is, she would be on track to put $1,000,000 in the bank in five to seven years from starting her business.

Like Patty's example shows, the best kind of tried and true business to start is one in which you already have experience. Once people are on the inside of a company, many are surprised at how little it seems to take to run it. They start thinking, "You know, I could run this company at least as well as he can. Maybe I should start my own." All they need is a little perspective to get them in the entrepreneurial mindset. Let me caution you, though. I almost guarantee it will be harder than it looks. Most employees are unaware of how many hard decisions the owner makes on a regular basis. Still, all of this is something anyone can learn.

You would be surprised at how many successful companies today were started by employees who were fired, laid off, or simply quit their former employers. Instead of trying to find another job, they just found a few customers and then they were off to the races. By falling back on what they knew, they didn't have to start all over again. Printers, carpenters, graphic designers, mechanics, engineers, accountants, and stockbrokers have all started their own companies by leveraging their knowledge and skill sets from their previous jobs. By building on what they already knew, they didn't have to learn the technical side as well as the business side. They could go straight to work.

I relate all of this to make this point: before you start a business, you should know how to do it—and working for someone else is one of the best ways to research the business you're thinking about.

I tell people to look at their job as a type of business or vocational school. Instead of just drawing a paycheck and punching the clock, they can be learning valuable skills they could one day turn into a profitable business. I know some people are proud of having been with a company for twenty years, and that is commendable. But some of those people don't really have twenty years' worth of experience. They have one year of experience, repeated twenty times. They never learned anything beyond their current

job, they've never taken on additional responsibilities, and they've never challenged themselves to do anything but what they were asked to do.

But once you have the know-how, why not just learn a couple more skills and launch your own enterprise? Don't skip the step of acquiring the knowledge and additional skills you will need as an owner. These go beyond just the technical skills of working in a company.

I am not suggesting that you be disloyal in any way. Don't cheat your employer, steal their clients, or use anything proprietary. You also have to honor any legal obligations you have, such as a non-compete agreement. When you're working for someone, give them a good day's work. However, there's nothing wrong with using all the knowledge and experience you gain in your own business later while still doing a good job for your current employer today.

In fact, the better of a job you do, the more skills you'll gain. No matter your position, use every day to learn as much as you can. Branch off into other departments or volunteer for special projects. This way, you can accumulate more experience, cultivate more contacts, and get savvy in as many areas as possible. You'll also earn a good reputation. You never know who may become a valuable contact in a future endeavor. In the meantime, you might be recognized as a competent go-getter and promoted within the company.

Plenty of entrepreneurship books talk about how stifling being employed is. They encourage you to rush out to start your business. I agree that you can't wait forever, but working for someone else is a great way to start your own business. Besides the skill sets you can acquire, it also allows you to have a stable income and save up for your future business. Plus, it gives you time to do your research and thoroughly plan out your business without having to worry about making a sale this week.

In other words, it gives you the time and money to start your business out on the right foot.

Then again, when and if your job does get to a point where you feel you must leave, you know you're creating a way out for yourself. It's a lot easier to tolerate a bad boss or incompetent management when you know you're planning your way out.

You know you probably won't be with your current employer forever. The days of working for one company for life are gone. Your job could vanish, be outsourced, or simply become obsolete. Positions come and go, but the one thing they can't take away is what you know. That know-how is yours forever—and the more you learn, the more you take with you. Use every opportunity to grow, learn, and expand.

STRATEGY #2: LOOK AT OTHER TRIED AND TRUE MODELS

Sometimes, though, your current job may not be a good starting point. You might work on a production line or in a dying industry like TV repair. Don't worry—there are hundreds, if not thousands, of other business you can successfully copy.

In my local area, there are two frozen yogurt shops from the same franchise. One is clean and usually staffed by a single employee. I've been there at different times throughout the day and regardless of who's on shift, they are always super-friendly. Virtually every time I go, there is a steady trickle of customers. The other location is never as clean, staffed by two to three workers at a time, and occasionally doesn't even open on time. They have almost no customers except during hot afternoons and on the weekends. After observing the comings and goings at both yogurt shops, I asked a few questions. Guess which location has an involved owner who stops by a couple times a day? Now guess which one is owned by two wealthy individuals who rarely visit the shop? The difference is simply

execution. One person treats his shop as a business while the other owners treat their shop as a hobby.

Success doesn't come from proprietary knowledge. McDonald's finally revealed the recipe for its secret sauce, but you don't see them going out of business. The real secret is successful execution. You don't even need flawless execution. If you've worked for a number of employers or have ever eaten in a restaurant, you know how badly mismanaged plenty of companies are. If you take a tried and true business model and do just a decent job running it, you can be a success.

The last time I checked, *Entrepreneur* magazine listed almost 1,000 ideas online of the kinds of mainstream businesses we're talking about here. Some types require specialized skills, such as being a healthcare professional. Some require serious investment, like being an independent broker-dealer in the business of trading securities. But plenty of businesses can be started by anyone. Baking companies, glass tinting, house staging, bicycle touring, pet grooming, closet organizing, airport shuttling—if you dig deep enough, you will find many examples of businesses that can put $1,000,000 in the owner's bank account.

If you don't have much money and can't raise it, start small. A glass tinting business, for example, can be started for as little as $2,000. That's not exactly pocket change, but that's not out of most people's reach, either. However, once you start you must think big. You need a business plan and need to start building a business. Research successful tinting operations where they are making the kind of money to give you a chance to save $1,000,000. You can start by installing tinting on your own, but you must be working toward growth. You can't personally install enough tinting to get the cash flow to save any kind of reasonable money.

If you have funds or they are available to you, you could launch a bigger business like a brokerage business registered with the Securities and

Exchange Commission and the relevant state agencies, requiring an upfront investment of $100,000 or more to start operations. Then again, you could be a capital broker with zero startup costs. You could pick up the phone, connect two people, earn a finder's fee—and just like that, you're in business.

When you're doing your homework, it is important to know about what it will cost to get into business and the profit potential before you do too much research. These are important numbers to find out. That might require you picking up the phone and calling around until you find another business owner willing to talk numbers. Keep in mind all business owners of the same business type are not the same. Many will not have had the vision to grow their company enough to make them millionaires. Seek out the very successful ones. Be polite and explain why you are asking, but ask direct questions. And leave the door open to call them back because you will think of more questions to ask.

When you do get a feel for the financial potential of your business, you need to think more concretely about ways to scale your company. Some dentists can't see beyond themselves, so their practice only grows to the amount of work they can handle. Others launch dentistry franchises across the state.

While your ability to scale your business requires vision and ambition, your vision is worthless unless you can successfully operate the business in the first place. That's why it's so critical that you do your due diligence before deciding on a business to pursue. Successful execution does not just mean delivering a decent product or service. It involves all aspects of the business, big and small. At the day-to-day level, you have to know how to handle customers, how to negotiate payment terms with your suppliers, how to stay on top of your taxes and permits, and more. At the 30,000-foot level, you have to keep an eye on your market. Sometimes circumstances change

dramatically. You have to be ready to pivot to change your whole operation, if necessary. If the local factory shuts down or the real estate market goes into the tank again, or if technology changes or disrupts your industry, you have to be agile enough to keep your business going.

Unless you do your research, nothing else matters. Don't take shortcuts, don't believe everything you read or hear, and don't take people's word on the important things. Verify, check, and double-check. After all, this is your future we're talking about.

If your goal is to be the guy or gal with the sexy startup—regardless of whether it succeeds or not—then go to Silicon Valley and do your thing. But if your goal is get your first million in the bank, then just follow the time-tested road well-traveled.

STRATEGY #3: CONSIDERING RISKY BUSINESSES

Both futurists and historians have said there are no more original ideas. Everything new that man comes up with from now on will simply be a combination of previous ideas or improvements on prior inventions. Cars, for example, are basically the same machines as from a century ago. Even hybrid cars are just improvements on preexisting technology. Despite that fact, people continue to fixate on coming up with a brand new idea or concept.

Some people do come up with novel ideas, or think they do. They genuinely believe they have a brilliant and entirely new idea for a product or service.

Whether you do or just think you do, it's worthless unless somebody buys it. Without doing your research, how do you know there's even a real market for it? Maybe it's a tiny market. Maybe your potential customers are so scattered you can't effectively reach them. Maybe you're so ahead of your

time that you can't effectively communicate your idea's value to them. Maybe the marketing you have to do will overshadow the potential revenue.

Having a good idea simply isn't enough—or even required.

But these inventors, convinced they have a great idea, spend all their time and savings trying to launch a company. Sometimes they succeed, but more often they struggle, financially and emotionally, until the money runs out. Then they pack it all up and go back to beg for their old job. It's a sad story, but a familiar one.

Entrepreneur types like the excitement of a new enterprise. It's cool to launch a tech startup or to be on the bleeding edge of innovation. Cleaning service companies and accounting firms seem plain Jane by comparison. None of the companies I list here or showcase in this book are truly innovative. As you should be seeing by now, though, novel isn't necessary for success. I promise you that you'll have your hands full just trying to get a "boring" business off the ground. Plus, as time continues, you'll have the opportunity to leave your mark as you come up with new ideas and solutions.

Considering new or risky businesses shouldn't even be on your radar. As far as this book is concerned, "risky" isn't about how much capital you have at stake or how much you stand to make if the business succeeds. We'll leave stock delta and risk ratios to the finance guys.

For the purposes of our discussion here, risk simply means how likely it is that the average Joe could successfully start a profitable company that puts $1,000,000 in their bank account. The less likely their chances, the higher the risk.

Don't take a bigger risk than necessary. Do your homework, find a business you can operate that predictably makes money, successfully execute the tried and true model, and make a million bucks.

Chapter 3:

Buying a Business

Up to this point, we've focused on starting a business from scratch. However, there are plenty of existing businesses that you can buy or buy into. This could save you the time in creating everything from the ground up and shave months or even years off your learning curve.

Besides buying a business outright like Frank did with the nursery company, you could also look at franchises and multi-level marketing companies. Let's discuss the pros and cons as well as the tips and tricks for each.

BUYING AN EXISTING BUSINESS

Buying an established business may make sense if you have prior management experience, have or can raise the capital, and are ready to immediately take over the day-to-day operations.

If you don't have management experience, then buying a business becomes riskier and is likely not the best approach for you. It will be better (and cheaper) for you in the long run to first gain that experience or to start a new business and grow with it.

If you don't have the finances to purchase a business, then it will be difficult to even get someone to listen to you. One of the biggest problems with buying a business is having to go through business brokers. These people specialize in matchmaking business owners and buyers or investors. If you can't prove you have the money, a broker might not even take your calls. They don't waste their time on unqualified people. If you have a

financial backer, they won't want to talk to you—they'll want to talk to the person who signs the checks.

You don't have to go through a broker, though. Like Frank, you might go to the owner directly. You may be able to get them to finance the note, much like some homeowners self-finance the buyer's mortgage. Ideally, they would finance 100% of it, but it's more reasonable that they would require an up-front investment, the same way you might have to put down 20% when you buy a house and close your home loan.

When buying an established business, you have to be careful what you're getting into. You are assuming the reputation, problems, and liabilities of the entire company. Do your due diligence and thoroughly understand exactly what you're buying. Take absolutely nothing at face value. If Frank had followed this advice, he would have seen just how bad the nursery was before he signed the papers.

Have an experienced attorney review and prepare all your agreements. You should have all the financial records verified by a CPA. You probably don't need a full audit, though. Beyond just checking the books, a full audit verifies a percentage of the invoices and receipts, corresponding them with the respective vendors to ensure the invoices are real. As you can imagine, it's costly and time-consuming. For most small businesses, this is overkill. If you are long on experience but short on money and really can't afford these professionals, you may need a minority partner to put some money up for a small ownership position. It is also possible the professionals would agree to do this up-front work, and maybe future work too, for a small ownership position.

You can also ask or hire an independent third party to come evaluate the business. You may need a friendship connection to get this done for free. This has to be someone knowledgeable about the industry, such as a current business owner or general manager. By having an objective, experienced

outside perspective, you'll get the advice you need to help you spot your potential blind spots. At the end of the day, you just want some professionals looking over everything to make sure it's what it should be. Keep in mind, though, this can be quite expensive and that some professionals aren't all that helpful.

Consider using the free services of SBDC and SCORE for advice on buying any business you are considering—especially if you can't afford an attorney and CPA. You might find retired lawyers and accountants who will volunteer to help you.

Besides looking internally, you also need to look outside the company. Can you sell the inventory you're buying? Can you sell it profitably at the price the current owner wants? Is there still a strong market for the service in the first place?

Real estate may be another major factor to consider. Besides going into the concrete business, hardware business, or whatever it is, you may be getting into the real estate business if the company has a physical location. If the land the business sits on is part of the sale, you will need to get it valued. You should consider separating the real estate out of the deal, then turning around to lease it from them with an option to purchase later. That way, if you get out of the business, you're not stuck trying to sell the land, too. If the business is already operating in a leased space, it will likely simplify the transaction. You may be able to assume the lease, sublease from the seller, or renegotiate your lease completely.

Lastly, make sure you know the real reason they're selling. Frank got stuck with a failing business that he was finally able to turn around. Many people who bought businesses aren't so lucky. If the former owners want to retire to spend their time with their grandchildren, great. If they're flat broke and just want to unload the business, then *caveat emptor*: let the buyer beware.

BUYING A FRANCHISE

With all my talk of going with what works, you might think that I would encourage people to go with franchises. After all, the systems are already in place, the owner has already worked out all the bugs, and the financials have already been proven. McDonald's, Subway, Hertz, Dunkin' Donuts, and Marriott have made their franchisees millions. Everything's been done for you already. All you have to do is push the start button, right?

It's never that easy.

First, you have to have a decent amount of capital to begin with. During my seven in-between years, I looked at several franchises, but I could never get to first base. I had no money, no credit, and no returned phone calls. When you first contact the franchisor, they ask you to fill out a few forms. They gather information about your household income, credit, and assets.

I thought I could get the money together with some partners, but this is a chicken-and-egg problem. To get partners, you need to have the financing, marketing, and operations all worked out before they'll meet with you. But to get those plans and figures from the franchisor, you need to show ahead of time that you have the financing lined up. I just couldn't put it together.

Typically, they want you to write a check for around $30,000—not borrowed from a bank but coming straight out of your pocket. Some franchises ask for much less; some ask for much more.

That fee covers the license to franchise. It's the entrance fee into their secret club. You have the right to use their name, their logo, their proprietary knowledge, their contractual agreements with their vendors, and everything else.

Notice I said "the right." That fee does not actually buy you anything tangible. You still have to buy the land (unless they allow you to run the franchise out of your garage), the building, the supplies, and the inventory, plus cover salaries and other costs associated with starting and running any

business. These costs can soar into the hundreds of thousands if not millions.

Those are the startup fees. In addition to those, you'll also have to pay 5-6% royalties on your gross income and possibly another 1-2% royalties for advertising. Unless your franchisor is unusually generous, you'll owe these fees no matter what, even if you're losing money.

But say you had the financing in place and sufficient management experience. What would await you as a franchisee?

When you bought into the franchise, you would get their proven model, their operations manual, and their trainers. None of the things they hand over would be suggestions—they expect you to follow their instructions to the letter. There is little to no room for creativity, originality, or coloring outside the lines. Your startup costs are usually closely predicted. They often have spelled out exactly what you need, which suppliers to buy from, and what size light bulb to use in the fixtures.

In other words, you invest an enormous amount of money to buy yourself a middle management job.

If someone opens a sewer plant next door, if the economy takes a dive, or if the franchisor has bad national publicity, it doesn't matter. You're stuck as long as your franchise is open.

Of course, the parent company wants you to be successful. Plenty of them offer great support to their franchisees. But regardless of how successful you are, it's still basically a job. Despite technically being the owner, you have very little say in how your business is run. You have all the worries and responsibilities of any other business owner, but you also have a boss and limited authority about what you can do outside of the playbook they provide you with. Why be the owner if you can't be the boss?

It could make you $1,000,000, but you must go in with your eyes open. There's no room for you to innovate or vary from their plan. Also, one

location is often not enough for you to get your $1,000,000 saved. So even if you're successful, the only way to scale your company is to buy yet more franchises. You will probably need two to three locations to get you the kind of return you need to get $1,000,000 in the bank. (Of course this will vary greatly depending on your actual franchise.)

My question is: if you're going to go through all this, why not do it for yourself? Why not take that startup capital (without the franchise fee) and start your own business? Why pay for someone else's brand when you can build your own? Why buy someone else's processes when you can create some yourself?

GOING INTO MULTI-LEVEL MARKETING

If I've convinced you that franchises aren't the best path to $1,000,000 in the bank, you might point to multi-level marketing companies (MLMs) as a possible alternative. An MLM company is one in which the sales force makes money both from the sales they generate and from the sales of other sales people they recruit (their "downline"). While these companies have marketing and other systems in place like a franchise, the fee to become a member is much more affordable—usually just a few hundred dollars.

I've tried MLMs twice, back in the day when their approach was called pyramid selling or network marketing. As a young Army officer, I thought I could sell Amway products in my free time. The pitch was exciting, so I handed over my hard-earned $50 and bought the starter package. Then, I went out and did absolutely nothing. I can't blame Amway for that. It's fairly common for new MLM recruits.

The second time I tried an MLM was in my in-between years. The entry-level fee was a few hundred dollars. For a few weeks, I tried hard to sell but got nowhere. However, if I became a recruiter—with a buy-in of several hundred more dollars—I could sign up other people, earn a royalty from

their sales, and earn a substantial discount on the product for myself. Wisely, my wife said, "No." Despite an impressive board of directors and advisors, that company went out of business shortly thereafter. In hindsight, I see that my training and support was zero. No wonder I earned nothing and they went under.

While you may technically be an "independent business owner" with an MLM, the reality is that you're a commission-based salesperson. Beyond selling the product or service and signing up new salespeople, you have zero control over how the company is run. There are some MLM salespeople who have been successful—and each MLM is keen to put the spotlight on them—but in truth, most people make almost nothing.

In fact, former business professor Roland Whitsell spent forty years researching MLMs and concluded, "You'd be hard-pressed to find anyone making over $1.50 an hour. The primary product is opportunity. The strongest, most powerful motivational force today is false hope."

You can find hours' worth of reports, studies, investigations, and lawsuits online that echo this sentiment. I'm not saying that you can't make money. But if we define risk as how likely it is that the average person will fail at putting $1,000,000 in their bank account, then MLMs are high-risk.

SCALE YOUR OWN BUSINESS (NOT SOMEONE ELSE'S)

If you really want to consider a franchise or MLM, consider this. About five years ago, I was approached by two gentlemen who had formed their own MLM company. They gave me a tour of their offices and wanted me to be affiliated to some degree with their efforts—if nothing else, because I'm constantly networking with people everywhere I go. They had become quite rich and I respected their business model, but owning a company is one thing; being an MLM recruiter is something else.

If you want to go into a franchise or MLM, this is the way to do it: from the inside-out and top-down. Creating and scaling your own franchise could ultimately net you far more than $1,000,000. Of course, turning your company into a franchise could easily cost you $100,000 or even $1,000,000 to set up. There are mountains of paperwork, attorneys' and consultants' fees to pay, and all kinds of legal ramifications, not to mention creating the procedures, systems, processes, manuals, and such that a franchisee expects.

Also, before you can sell your first franchise, you'll need to demonstrate that you can duplicate your success. You'll need, at minimum, two locations doing well. Each location must be able to consistently generate between 20-30% profit so that your franchisees can afford the 5-7% royalty you'll require. An MLM requires just as much work. Starting either is a large undertaking with the potential for a huge profit. But all that comes later. First, you need to reach success in your own business. After that, you can start focusing on the next step.

Don't pay someone else for their business. Create a business so great that you get other people to pay for yours.

Chapter 4:

The Truth About Starting an Online Business

Matt was twenty-one years old, in college, and had a full-time job. Like many smart guys his age, he just knew he could make some great money on the web with a bit of savvy and hard work.

He did a keyword search and found that there were few swing set sellers online. He found a company that would drop-ship to the customer. He paid $400 for a web developer to put his e-commerce site together and with that he was in business. He spent all his free time getting his website ranked as high in Google search results as he could. He posted blogs, wrote guest posts on other blogs, and constantly worked on his website, pouring everything he could into his online business.

After two months, he woke up one morning, turned on his computer, and saw that a purchase had been made. He told me this is one of the best memories of his life. He had just made $15.37. Over the next 30 days, he made another five or six sales. After six months, he had made less than $500. At least he broke even with the website, right?

Undeterred, he decided his problem was the market. Swing sets were just too small a niche. He decided to go into electronics instead. Using the same principles, after three months he had totaled about $15,000 in sales. While that was exciting, his net profit was only $1,000, or about $333 a month. He could have made more working a minimum-wage job.

On top of the disappointing money, his grades were slipping, he was exhausted when he went to work at his full-time job, and he was becoming a hermit. When a job offer came along at an insurance company with a salary

and benefits, he happily accepted. Without his constant attention to search engine optimization, both sites quickly fell in online search rankings.

Four years later, Matt had the internet itch again. His insurance job paid the bills and allowed him to lead a normal life, but he wanted to try his hand at online entrepreneurship again. He loved audiobooks and noticed there weren't many audiobook review websites, especially with reviews in the form of a podcast. He dreamed of the wealth his new idea would bring, but his previous experiments tempered his excitement. After two years, he had only 1,100 subscribers. From his two affiliates combined—Amazon and Audible—he earned maybe $30 a month.

He said to me, "It's very hard to make a lot of money on the internet. It's been a tremendous drain on my time and energy. I'm keeping my audio review website as a hobby, but I do plan to open my own business one day—probably a much more conventional business that's easy to manage where I know I can make some *real* money."

For the average person, making a little money on the internet is feasible, but making a lot of money is a long shot unless you are using the internet to better promote an existing business.

The internet is a platform and a tool. There's nothing magical or mystical about it. It has fundamentally changed the way we do business and created vast new opportunities for entrepreneurs. No question there.

But coming back to the premise of this book, how likely is it that the average person can put $1,000,000 in their personal bank account by starting an internet-based business? Some people have done it, but it's like MLMs—most people don't even make $100.

For discussion purposes, let's consider two general categories of businesses that utilize the internet: first, what I'll broadly call "tech companies," and second, what I'll just call "traditional businesses."

TECH COMPANIES VS. TRADITIONAL COMPANIES

These days a technology company can be anything from a company focusing on semantic web applications to one making new rocket ships to one developing algae fuels. Since this is a chapter on internet business, what I mean here by a "tech company" is a quickly scalable, innovative, software-based or internet-based company, the kind regularly started by talented developers in Silicon Valley. These could be companies that provide better location analytics, facilitate digital currency transactions, enable people to share information in new ways, provide better social metrics for marketing campaign feedback, give people access to doctors online in more efficient ways, or a million other possibilities.

The business models of these so-called tech startups are substantially different from traditional business models. The biggest difference is that they are potentially very quickly scalable and have tremendous upside, which is the feature that attracts venture capital investors. Most businesses need startup capital, some degree of infrastructure, and customers to sell to. Because of the internet, though, tech companies can rapidly go from being unknown to having a million users and a billion-dollar valuation. There are examples of that kind of scalability being achieved with just an idea and a couple of entrepreneurs with computers. Especially with flexible cloud infrastructure, any techie can have access to as much computing power and as many servers as he needs. That exponential growth sets them apart from a more traditional mom-and-pop business opening down the road.

If you're already tech-oriented, have a creative nature, and can write the software needed, you still have a tiny chance of launching the next Google, Facebook, or a company with enough traction to be acquired by a tech giant such as Google or Facebook.

If that sounds like you, your journey might include time at a startup accelerator. In recent years, startup accelerators have become an important part of the tech innovation community. These are generally for new

entrepreneurs and offer mentoring, training, and connections for a few months to help your company develop into one that can attract significant venture capital funding, which will enable the rapid scaling of your business. Just the application process can help organize your business. Once accepted, if it's a high quality startup accelerator, you will have valuable help to guide you through the process of building your company, from developing your product to finding customers and investors. The accelerator will often make a seed investment of $20,000 to $50,000 for a small piece of equity in your business.

The quality of startup accelerators varies greatly, with some being extremely selective and providing a big boost to your company, and others providing little reputational help and whose companies mostly fail to attract additional funding. The quality of the founders of the accelerator and the success of previous companies in the program will give you a good idea of the quality of the accelerator. The best known is Y Combinator, co-founded by Paul Graham in 2005, and located in Mountain View, California. Y Combinator has funded over 500 startups to date, including billion-dollar babies like Dropbox and Airbnb.

In addition to startup accelerators, business plan competitions can also provide some structure and exposure to people who can help you. Your team prepares a thorough business plan and then goes through rounds of competition, getting feedback all along the way. You have to pitch your idea and plan of attack again and again. Although it is repetitious, it's a way to practice selling your idea to potential customers and investors and get immediate feedback. As a salesman and entrepreneur myself, this would have been extremely valuable at the beginning of my own businesses. If you win, you might get a cash prize or a prize in the form of an equity investment to fund your idea. If you don't win, you'll still have received potentially valuable feedback from and exposure to investors and advisors.

According to Biz Plan Competitions, there are over 200 such annual competitions in the U.S. with over $22 million in prize money, and another 100 international competitions with over $24 million awarded. Even if you don't have a tech startup idea, you could still learn something from attending and participating in such activities.

TRADITIONAL BUSINESSES ON THE INTERNET

While most people shouldn't be starting tech companies, starting a more traditional, tried and true business is an avenue available to many more people. For these traditional businesses, effective use of the internet can be and often is the difference between stagnation and success.

An easy-to-navigate site, optimized for search engines, and some savvy marketing allows you to compete for your customers' attention online, and potentially allows you to reach a global marketplace instead of just your own backyard. The best online tools include:

Affiliate programs. If you already have solid content and something worth buying, then it might make sense to sell related goods and services for others. That is, if you already have a customer base, you could make a commission selling them other things they're interested in.

Blogging. You're in business to solve problems, so why not post related ideas, solutions, and other content to your customers? It's a great way to test the viability of a niche market, it builds trust and hones your online marketing skills, and it can improve a website's search engine results and drive traffic.

Ebooks. Like a blog, creating an ebook can cost you next to nothing. You don't need to be an English scholar. You just need to put two sentences together and deliver content valuable to your customers. If they're really hungry for your information, they'll overlook just about every other shortcoming. You can provide it for free or sell it for a profit. Plenty of self-

published, promotional ebooks are quite short, so don't be afraid that you don't have enough information. There's no reason to limit yourself to just one. You can write a whole series around your business and customers. Again, though, unless you plan to make a career as an author, ebooks aren't your ultimate product—they're just another marketing tool to get people to buy what you're really selling.

Videos and Webinars. Yet another way to deliver solid content to your customers is through webinars. Using the camera on your computer (or even your smartphone) you can create a video and post it for free on YouTube. Just as with ebooks, you can offer it for free or sell "seating" at live webinars. However, unless you're going into the public speaking business, webinars aren't your product. They're just another way to promote your real business.

Selling and Buying Ads. Unless you have serious traffic coming to your site, you won't make much selling advertisements on your site. Probably more useful to your business is to consider a strategy that involves buying online ads, using them to drive more traffic to your site. But be careful not to be hypnotized by the numbers. It's just like advertising in the newspaper or anywhere else. A million people could see your ad, but if it doesn't turn into sales, you've wasted money.

With each of these tools, there's a big difference between using them and using them well. Having a website, even a good one, isn't enough. It's worth your time to study and stay current on these approaches and the options available to you. There are many different affiliate programs and different approaches to driving traffic to videos, blogs, and websites, for example. The more you know, the better decisions you will make regarding the best strategy for your business. Keep in mind, though, that while these are good tools to promote existing traditional businesses, they are potential wastes of time if you try to make money solely from blogging, ebooks, and webinars.

To illustrate this last point, let me tell you about a retired friend I have who over the last three years has self-published seven ebooks, two novels, three nonfiction books, one short story, and one novelette. To date, he's made a grand total of less than $100. In 2009 he printed his first and only print-on-demand (POD) book, and if you count that book he has lost money for all his combined work.

In short, for most people in business, the internet is best viewed as a powerful vehicle to develop a brand and sell your own products and services. In this way, anyone with a business can unlock the power of the internet for himself. For some, this means crossing over from trying to make money "off the internet" to using it as a platform (hopefully one of many) to sell the products and services of your own traditional business.

THE SIREN CALL OF ONLINE BUSINESS

I can't count how many people I've met who were going to make $1,000,000 on the internet. It's like the California gold rush all over again. Everyone thinks they have a chance to get rich, even though all but the most savvy and knowledgeable really have a shot. I've come to recognize the warning signs with these types of would-be millionaires.

For starters, some have no real product or service to sell. If you don't have something valuable to offer the market in the first place, you're just spinning your wheels. That's not the path to financial success.

Some become addicted to the internet. The lure of the online world can be mesmerizing. Instead of trying to sell to your neighbors and local community, you can sell globally. As your Twitter followers multiply and you add a dozen newsletter subscribers every hour, it feels like you're making progress. The instantaneous nature of the web is addictive. But as time goes by with little to show, people often become obsessed, continuing

to pour more time into their online endeavor, beating their head against the wall.

Another issue with these types of people is that they focus on the tool instead of the solution. When you begin to lose sight of your customer and how to solve their problems, and instead focus on how to get more people to come to your site (or some other meaningless metric), you're focusing on the wrong thing.

This often leads to getting distracted from actually doing something tangible. The internet can quickly become a substitute for getting out there and starting a real business. When entrepreneurs stop talking about their customers, how their products fulfill a need, or selling, and instead talk only about the internet, that's when I know they've been seduced by the online hype.

Start a real business and use the web as a tool in your toolkit. You will find that being digitally savvy is a huge competitive advantage, particularly since many of your competitors in a traditional business won't be.

Chapter 5:

Finding Free Business Help and Advice

"Miguel" had been a precision tool machinist for twenty-two years when he decided to start his own business.

In our interview, he told me that he had nothing when he made this decision. No money, no capital, no investors—nothing besides his skill as a precision machinist and his reputation. As it turns out, that was enough.

His first business plan came from sitting down with a banker for a loan. The bank officer gave him a blank, standard bank form. Miguel filled it out, handed it over, and was promptly denied.

The experience got the wheels in his head turning, though. It helped him figure out that it would take at least $100,000 to buy the machine he needed, not to mention the working capital to buy his material. Since the bank wouldn't loan him the money, he decided to go a different route. He asked the machine manufacturer to finance the cost. Because of his excellent reputation, they agreed to let him pay in installments, but they still required a $20,000 down payment. Miguel approached his wife's aunt who, because of his hard-working reputation, lent him the money.

He then turned around and used the same approach with his materials supplier as he did with the manufacturer. His supplier advanced him the metal he needed to get started with his first few jobs.

For nine grueling months, Miguel worked his day job from 6:00 a.m. to 6:00 p.m., then came home and worked on his business at night and on the weekends. Finally, he was so overworked that he knew he'd have to give one up. His day job paid about $78,000 a year. It would be hard to replace that

income plus make a profit on his business, but he took the risk anyway. He quit his job and put all his time toward his own business.

His first year, he was able to repay his wife's aunt and make ends meet, but his business didn't make a profit. Then, a friend told him about the local Small Business Development Center (SBDC). He took advantage of their free courses, especially in marketing and accounting. He was then set up with his own counselor who helped him fine-tune his operations and then scale his business. With SBDC's help, his machine shop began really cranking out the business.

At the time we spoke, he had been self-employed for seven years. When I asked him when he thought he'd have $1,000,000 in his personal bank account, I could hear him smile over the phone. He said, "I just broke a million last month."

TWO ACRONYMS YOU NEED TO KNOW: SBDC AND SCORE

Despite what you may hear and read in the media, Uncle Sam really does want you to own your own business. Every year, federal, state, and local governments spend millions of dollars providing free business training and advice. On top of government-sponsored programs, there are plenty of other private and volunteer organizations. There's a branch of at least one type or another in nearly every major American city.

The two largest sources of help are SBDC (Small Business Development Centers) and SCORE (formerly the Service Corps of Retired Executives), both partially funded by the federal Small Business Administration (SBA). These two organizations can easily be the difference between business failure and success. I wish somebody had told me about them—I might have avoided seven long years of wandering around like Moses in the desert.

Now, at least, *you* know.

These organizations and others like them offer information, seminars, workshops, and even one-on-one mentors who will stay with you throughout the course of your business growing. Sometimes they offer courses for a fee, but the fees are low compared to the knowledge you'll receive. Often, they'll waive the fees for veterans.

Here are just a few examples of the different kinds of courses and workshops SBDC or SCORE offers:

- Free Tools for Market Research
- Successful Selling Techniques
- Affordable Health Care Act for Small Businesses
- Websites 101: Building and Marketing Your Website
- Social Media Marketing
- Google Apps for Business
- Straight Talk on Small Business
- QuickBooks Online
- Developing a 30-Second Commercial
- Small Business Tax for the Self-Employed
- Facebook Business Pages
- Twitter for Business
- Grant Writing 101
- Business Plan Basics
- SBA's 8(a), HUBZone, and WOSB Certification
- Minority-Owned Business Certification

These organizations help entrepreneurs at every level, from those with no idea what kind of business they want to start all the way up to those who want to sell their successful enterprise.

If you take nothing else away from this book, just finding out about these great organizations will be worth your reading time. The best advice I can

give anyone starting a small business is to find their local offices and connect with a counselor who will walk them through their business idea.

I continue to be amazed that entrepreneurs who used one of these organizations didn't know about the other. I highly recommend using both.

SBDC has professional salaried consultants and employees on staff with about 1,000 offices around the country. SCORE, on the other hand, is manned by 13,000+ volunteers, but they are generally retired business owners and executives with a vast amount of insight and experience. They feel fortunate to have had the success they've had, and SCORE is their chance to give back to the community.

With both SBDC and SCORE, you'll find different resources for different levels of business. For people thinking about starting a business, there are plenty of starter workshops and courses. You'll also find specialized events, such as social media branding or patent law. You might even find a mentor or counselor who's already succeeded in the type of business you want to launch.

If you're undecided about where to begin, consider starting with SCORE. They have a deeper pool of experience, more counselors, and they can volunteer to spend as much time with you as they want. On top of all that, they can truly mentor you since they've already had success in business. The drawback is that SCORE is all volunteer—and your perfect mentor may only come into the office once a week at a time you can't make. When dealing with them, just remember they're volunteers generously donating their time and experience.

For an SBDC counselor, helping you is their 9-to-5 job. That doesn't mean they're any less devoted than the SCORE counselor or that they are necessarily more prepared to help you. It's just a different set of circumstances. However, because they have to help so many people, your time with an individual counselor may be limited.

TARGETED RESOURCES AND ORGANIZATIONS

Besides these two well-known resources, there are other national and regional programs, as well as specialized ones.

I am especially impressed with the Chicago Women's Business Development Center (WBDC), the largest branch of the Women's Business Centers (WBC). Partially funded by SBA (Small Business Administration) and regional grants, it employs a staff of twenty-eight. While it offers many of the same resources as an SBDC, the difference is that it's exclusively devoted to promoting women-owned enterprises. There are about a hundred of these WBCs scattered throughout the country, although most are much smaller than the one in Chicago. Some have only one employee. Regardless, they are a great source of help. Besides providing a unique perspective on business, they also facilitate earning a certification as a woman-owned enterprise, an important distinction in many government and even private contracts.

Besides the WBC, there are plenty of smaller organizations devoted to supporting companies owned or led by women, such as Ladies Who Launch and Chic CEO.

Veterans, and especially disabled veterans, have a number of exclusive resources for startups, too. In addition to SBDC, WBC, and SCORE, SBA also funds Veterans Business Outreach Centers (VBOC). Nearly every major city has a veteran's liaison officer whose sole job is to help veterans start and grow their own businesses. They don't have the reach or capacity of these other programs, but they act as mentors to help you access the other resources and programs you need. Plus, they can support you in earning your certification as a veteran-owned business or even disabled veteran-owned business—again, an important certification in many public and private contracts.

Veterans also have deeply discounted or free business courses available through many universities and associations. For example, the International Franchise Association sponsors VetFran to support veterans and provides discounts and reduced fees to start some franchises. While I don't view franchises as the best way to earn your first million, these discounts are good examples of how many different resources are out there when you start looking.

Then, too, don't overlook the U.S. Department of Commerce's Minority Business Development Agency or SBA's Office of Native American Affairs. Plenty of state, regional, and local governments and organizations have other such business development resources. While you still have to do all the work, much of the free know-how you need is just a phone call away.

DO YOUR HOMEWORK BEFORE GETTING HELP

Before you rush off to schedule a meeting with one of these offices, do some homework first. Try to put together a business plan. Attend a workshop or two. Go through these organizations' online resources, especially if they have a starter packet.

What you don't want to do is sign up for a meeting, walk in with nothing, sit down at the table, and say, "I'm thinking about starting a business. What do I do?" From talking with so many counselors, I've found that many of them privately refer to these types as "tire kickers." If they haven't put any effort into thinking about their business yet, then they're probably not going to be serious about anything else. Like the guy who drops by the car dealership on his way home from work, he's just kicking the tires—and that's about all he'll do. The counselor might still try to help the person, but I doubt they'll waste much effort.

As one way to sort the tire kickers from the truly serious, one SBDC office requires newcomers to go through a two-hour starter video. It explains

the work necessary to start, launch, and operate a new business. Unfortunately, most people who watch it never come in for a second appointment. The office staff told me that these would-be entrepreneurs say they didn't realize how much work was required. If it saved them from a business failure, maybe the two hours were worth their time.

Even if you haven't a clue as to the kind of business you want to start, have no business skills, or have bad credit, don't be discouraged. You don't need to know everything before you walk in. (Otherwise, why would you even go?) You just need to demonstrate that you're meeting them halfway and that you're open to their assistance.

MAKE SURE YOU GET WHAT YOU NEED

Do you remember when the government tried to kick-start the economy out of the Great Recession? They wanted "shovel-ready" infrastructure projects. That is, highways, bridges, or other transportation projects that had everything ready—blueprints, permits, contracts, etc.—and just needed funding to get started.

That's similar to what SBA is looking for: "capital-ready clients." While SBDC and SCORE will absolutely help you, one of their functions is to help qualified entrepreneurs prepare for an SBA loan. That's not to say they'll pressure you into borrowing money. They're more of a screening process to help unqualified businesses get better, and to help qualified candidates prepare for an SBA loan.

As such, they're very good at helping people get SBA loan documents ready and walking them through the process at banks that accept SBA loan applications. From talking to various SBDC staffers, the ideal SBA loan applicant has a good credit score, some cash, and some kind of collateral. In fact, one counselor told me that the perfect client would probably be

someone retired who has a 401(k), good credit, some management experience, and is bored.

I said, “Well, what about the person with a poor credit score and no cash?”

He said, “I’d tell them to forget owning a business. It’ll never happen. They should stop wasting their time and go get a job.”

I thought, *Wow! That was a little harsh!*

I guess my pause reflected my feelings, because he quickly added, “But, of course, I’d help anybody who asked for it.”

I don’t relate this to cast a bad light on SBDC. Personally, I think it’s a great organization. I only mention this because I don’t want you to get discouraged if you go in for help and feel like it was less than you expected. You’re not stuck with that counselor forever. If you don’t have any chemistry with them, ask for a different person. Everyone has at least SBDC and SCORE available to help them, and I guarantee both will have someone eager to help you, but it may not be the first person you meet. So don’t give up until you find the right person. There is someone there for you.

In my native Houston, there are seventeen SBDC offices and ten SCORE offices. If you don’t care for one, you can switch to another. Or you could even be proactive, read the counselors’ bios online, and request a specific one. As with the Women’s Business Centers, all offices aren’t equal. Some have a lot of funding and, therefore, a lot of programs available. Others may be more limited.

With SCORE, you can hunt for the perfect mentor. From their website, you can look over the national database of volunteers. It includes their industry background, experience, and focus. Once you find the person (or people) you think would be most helpful, you simply email them and start a dialogue. I did a little experimenting and tried this for myself with a small project of my own, just to see how it worked. I emailed three separate

mentors: one in Nevada, one in Minnesota, and one in New York. Two were nice, but weren't really that helpful. The guy from Minnesota, though, was excited about the project and very proactive. He offered some great insights I hadn't considered.

The point being: if you don't find a mentor or counselor who suits you, you can go looking for another one. Maybe your personalities don't mesh, maybe they're distracted by something else going on, or maybe the two of you just don't know how to communicate together. Regardless, it's your responsibility to get the help you need.

They say beggars can't be choosers, but with business advice, I beg to differ.

Chapter 6:

Business Plan Basics

Although Cheryl Rose was the poster child for soccer moms, having a soccer business never crossed her mind.

After college, she went into marketing and hospitality. After marrying and having children, though, she devoted herself to her family. From the time her daughter was six, Cheryl was constantly surrounded by soccer for the next decade. Her daughter played year-round, her son played recreationally, and Cheryl had even been an assistant coach for a time.

However, after the owner of the local retail soccer equipment store in Medford, Oregon, passed away, Cheryl began considering the need for a dedicated store in their area. She knew the market, knew the potential, and saw an unfilled need. After doing a little bit of digging, she found a franchise out of her native state of New Jersey that she was familiar with. After some preliminary discussions, she decided to pursue becoming a franchisee of Soccer Post.

She wisely decided to make a plan first. She started with taking a couple of free courses at her local SBDC on starting a business and writing business plans. Doing the plan sent her down paths she never would have explored otherwise. Among other things, she researched soccer clubs, school organizations, and nonprofit soccer organizations, plus found the statistics for various ages and involvement. She looked at other soccer stores across the country to see what lines they carried, what would and wouldn't work in her own market, and other details she told me she would have missed otherwise.

Her research pointed her toward being heavily involved in the soccer community. As such, she became part of the local recreational soccer crowd as well as high school and college athletics groups, instead of just focusing on one or the other. To cater to this market, she employed primarily high school and college soccer players, and now even provides an intern program for these student-workers.

Another important point her research uncovered was how prevalent soccer was in the Hispanic community. The statistics around that led to her getting the local radio station to split her advertising air time between the English and Spanish stations.

GETTING CHERYL TO A MILLION

When I interviewed Cheryl, she was about to close out her first year as a business owner. Here are the numbers she shared with me.

She needed about $130,000 to start her business. $30,000 of that was the franchise fee and the rest was general setup costs to get her store stocked and running.

She borrowed $80,000 via an SBA loan and used $50,000 of her own money to make up the difference. (If that seems like a lot to you right now, don't worry—she could have easily raised the money from local investors, as I'll soon show you.)

Cheryl estimated that at the end of her first year her business would have total sales of about $200,000. Out of that, she pays a 5% franchise fee as well as the small salary she takes out for herself.

Based on a few retail assumptions, I see the potential for Cheryl to have annual gross sales of about $1,000,000 by the time her store matures in a couple of years, with a net profit of $100,000 to $200,000 a year before taxes. If we say she averages $150,000 in net profit, she might become a millionaire in seven to ten years, including the value of her business with

just the one location. But many small business owners never reach having $1,000,000 with just one location. I've noticed a pattern that many small businesses need two to three locations to get to a point where $1,000,000 in the bank is a much easier proposition. If Cheryl opened a second and third location that did about the same amount of business, she could potentially make a net profit after taxes of about $300,000 from the three locations combined. It would obviously take her a few years to get three locations up and going, but then that $1,000,000 would be a short step away.

In retail for a small business owner, it is not unreasonable to open a new store at a pace of about one a year. Many never try and others are not ready to manage multiple locations, but with proper planning this can be done. Later in this book examples are provided of the successful expansion of retail businesses. Two are in the pottery painting business and one is a ladies' boutique.

Cheryl did tell me she's planning a second location and is looking to groom a manager for her store as she grows. With that, she'll be well on her way to $1,000,000 in the bank.

WHY BUSINESS PLANS ARE IMPORTANT

Cheryl says her business plan absolutely was a huge factor in her success. It helped her immediately and clearly communicate to her husband, her family and friends, her SBDC counselors, and her bank officers what she planned to do and how she was going to achieve it. It also helped her stay focused on the reality of running a retail business. She still regularly refers to her plan and updates it as the business and her ideas evolve. Instead of just being a document to help her get an SBA loan, it has become the guiding plan that keeps her on track.

Your business plan constitutes one of the most important aspects of launching your business. It covers everything, from your market to your

operations to how you plan to leave the business. Many people dread writing a business plan, but the investment of time is worth it. It will force you to think clearly about your ideas and set them all down in black and white. It will make you think things all the way through.

Some people believe business plans are just for showing other people. If you want sophisticated investors or a sizable bank loan, you will need quite a detailed plan. But a business plan delivers far more value than that. It lets you completely understand your concept, from the inside out. In creating a solid plan, you'll have to do careful research and a decent market analysis. Your findings will guide and inform you through every step of your business.

You can find a dozen or more books and plenty of software packages on how to write a business plan. I suggest starting with the free business plans online at SBDC and SCORE. There are plenty of free templates, and some may even be customized for your particular industry. Look at both sites and see what fits you the best.

WHAT IT NEEDS TO COVER

Your plan has to cover all the major aspects of your business, including financial projections. A thorough plan will typically include:

- An introduction to your overall venture and a request for capital (if applicable)
- The purpose and related mission statement
- A detailed description: what your business does, how it works, what products and/or services you sell, how you conduct business, who your suppliers are, what employees and skill sets you'll need, and where you plan to operate
- Your customer profile and market analysis
- Your marketing strategy, both online and real-world

- A competitive analysis, i.e., similar businesses that have succeeded
- Résumés for yourself and your key personnel
- The legal work: your legal structure (limited liability company, corporation, etc.), required licenses and permits, etc.
- Your current and potential sources of capital
- Detailed financial information, including startup costs, projected revenues, estimated expenses, and detailed cash flows

When a potential investor or loan officer looks at your business plan, they don't immediately look in detail at what you're selling. First, they look at the financials to see how realistic they are, how risky your idea is, and how much potential is there. If your financials don't offer a picture of a solid business, nothing else in the business plan matters.

After that, they look at the résumés of you and your key people. Plenty of people have great ideas, but not all of them know how to run a company. If your company's principals have weak credentials and little to no experience, it raises a serious red flag. You may think you've built a better mousetrap, but does anyone on your team know how to manage cash flow or how to market to customers? However, if your plan has been thoroughly researched and is backed up by a credible management team, it has a good chance of support. Many private investors regularly back confident owners with a strong business plan, even if the bank rejected them for a loan.

I cannot emphasize strongly enough how important a sound business plan is. It should be a top priority. A good plan can help secure financing, find strategic partners and suppliers, attract key employees, build your confidence, organize your thoughts, and provide clear direction to you and your stakeholders.

PLAN YOUR EXIT

A good business plan includes an exit plan.

Going into your business, you need to consider how you'll get out of it. Because of how committed they are to their idea, some entrepreneurs resist planning for this. Sometimes, it doesn't even cross their mind. They're so intent on getting started that they can't even imagine the day they'll get out of the business.

Regardless of whether you plan to work in your business until you die or not, you need to think about the strategies for getting out. For one, on the bad days (and believe me, they'll come) you'll have peace of mind knowing that you're not trapped. Two, your investors will want to know that the business can survive beyond you. Three, it may influence the direction you take your business.

Generally, you have a few options for what to do with your business when you no longer want to run it.

Your least attractive option is to simply shut it down. When you're ready or circumstances dictate, you may just close out your invoices, clean up any debts, and dissolve the company. You might sell your assets and inventory to recoup some of your investment, but basically you just turn off the lights and walk away.

Another alternative is to find someone, such as a key employee, to run the business for you, while you maintain some or all of your ownership interest in the company. This approach carries some risk because you are entrusting someone else to run the company well and pay you your appropriate share of the profits.

Lastly, you can just sell the business lock, stock, and barrel. This is usually the best route for most owners looking to get out of business altogether. If you've set up your company right, it's a lot easier for someone to take over the reins of an ongoing business than it is to start their own from scratch. Many businesses are sold to "insiders" instead of being put on the market. By insiders, I mean a friend of the owner, a customer, or even a

group of their employees. The business never actually goes on the market and the process may proceed with less hassle. This way, you know your business will be in good hands—a big comfort for many entrepreneurs who built their company from the ground up. The other route is to put it on the market, usually via a broker. Two or more potential buyers bidding against each other will often get you a better price. However, this will typically require more work on your end to really "sell" your business to potential buyers, plus you will have to pay additional brokerage fees.

If you have a business that has already put $1,000,000 in your bank account, then you have a business you could sell. Of course, you don't have to wait until then. You can sell your business at any point along the way. In fact, selling your business may actually be the way you finally put a cool million or more in the bank.

PART II:

THE MONEY'S HIDING IN PLAIN SIGHT

Chapter 7:

Myths on Where the Money Comes From

Raising millions of dollars in capital is hard, and it's a lot harder if you're starting from scratch. Fortunately, if your goal is to get $1,000,000 in the bank, you don't need to raise millions to start your business. Whatever amount you need to fund your business, in Chapters 7 through 11, I will show you how.

Here in Chapter 7, I start by encouraging you to think about ways you can self-finance your business and to re-think your personal expenses. I feel these are useful exercises even if ultimately you look to outside investors for money. Chapter 8, written for this book by author Jacob Lund Fisker, explores the concept of extreme saving. Chapter 9 introduces fundraising alternatives such as crowdfunding and peer-to-peer lending for your consideration. Finally, in Chapters 10 and 11, I discuss how to raise money from investors, from how to find them to how to pitch them. Special connections are not necessary to raise the money you need. I show you how potential investors for your company are everywhere—from the car wash to the Starbucks line to LinkedIn—hidden in plain sight.

But before we get much further into how to find money and investors, let's talk about where *not* to look for startup capital: bank loans. The bank loan officer doesn't care about how great of an idea you have or how much money you plan to make. Banks are not in the business of speculative investing. They lend money against some kind of collateral. They may let you borrow money for a car, but when you can't pay, they repossess the car. A business idea, on the other hand, has no collateral. Without inventory, a

building, or something else to borrow against, you have nothing to secure your bank loan. To borrow startup money, you'll probably either have to borrow against the equity in your home or borrow against your good credit. As long as they have that, they don't really care whether you use the loan money for a business or a new boat—just so long as you make the monthly payment.

Then there are SBA loans. I hear people talk all the time about government loans for starting a business. SBA does not technically loan individuals money. In layman's terms, they co-sign a bank loan for you. That way, it's easier for you to get a loan than if you tried on your own. However, before SBA will back you, you will have to go through a long and often painstaking process. You have to fill out a lot of paperwork on top of having a detailed business plan; the better the plan, the better your chances of approval. More importantly, you'll still need a certain amount of collateral, a decent credit score, and perhaps even some cash on hand. Remember, SBDC and SCORE are pros at helping people get ready for SBA-guaranteed loans, so make the most of their expertise. Even after all that, it's not guaranteed. Some banks won't even consider SBA loans. The ones that do will still make you go through all of their processes, paperwork, guarantees, and more.

To say the least, getting a business loan isn't easy. Possible, but not easy.

Venture capital and private equity firms aren't a likely source of capital either. Less than 1% of U.S. companies raised capital from venture capitalists. Many venture capitalists don't invest in the initial stages of a business (a.k.a. "seed money") and those who do look for high-growth, high-yield investments, such as the next Twitter or billion-dollar medical breakthrough. Don't waste time chasing them. The same goes for private equity firms. They're looking to buy into existing multi-million-dollar

companies and gain a controlling interest. Think about Warren Buffet buying Geico, for example.

Now, let's talk about the two main ways most people fund their businesses.

RAISING MONEY FROM FRIENDS AND FAMILY

I don't have the statistics, but I would guess that more businesses are started with money from friends and family than any other way.

Frank Nuñez didn't belong to a wealthy family or run in elite social circles, but he was still able to raise $15,000—enough to buy the nursery and get things started. If you have friends and family, approaching them ought to be an option.

I've talked to countless people who say, "Oh, I could never ask my family to lend me money. I'd be too afraid I'd lose it." I can understand not wanting that kind of pressure. On the other hand, why not at least give them the option? Given the choice to invest in a public company's stock or a good friend's business, many people would rather choose to support their friend. As adults, it's up to them to make that decision for themselves. Don't presume to run their finances for them.

If they do lend you money or invest in your company, though, just be ready for the baggage that comes with their investment. Some will feel it entitles them to give unsolicited advice that they expect you to follow. If you lose their money, you might find yourself reminded of the fact at every family gathering, maybe for the rest of your life. Even good-natured ribbing gets old.

SELF-FINANCING YOUR BUSINESS

Most people can't imagine financing their own car, much less their own business. But bear with me for a few minutes.

Let me tell you about Karen, a former human resources professional turned clothing boutique owner. After years in human resources, Karen was ready for a change. She had been thinking about opening her own business for about four years when she bumped into a SCORE counselor. With his encouragement, she finally started making real strides toward her dream.

First, she created a meticulous business plan. In fact, when she went into her local SCORE office to get pointers, her counselor called everyone into the room to look at her plan. It was, hands down, the best any of them had ever seen.

She figured out she needed about $150,000 to get up and running for six months. Karen had some number-crunching sessions with her longtime husband. They both had comfortable six-figure incomes. Together, they figured out that they could dramatically reduce some of their monthly expenses and save up most of that. They considered an SBA loan for the remainder, but decided a second mortgage was a better deal.

If the business failed, Karen felt reasonably sure she could go back into HR at about the same income. That way, the worst that could happen would be repaying the second mortgage. Seeing that the long-term risk was low, she went forward with her business.

Instead of simply quitting her job, Karen began her business during her off hours. In the evenings and on weekends, she would visit other women's homes or invite them to her house. Plus, she did some shows here and there. After a year of doing this, she felt reasonably sure there was a sustainable, viable market for the type of women's boutique she envisioned. She took the plunge, quit her job, and opened her boutique.

Karen received some good contacts from her SCORE mentor and got her business started. Then she was approached by an outside consultant, who helped her with her accounting and advised her on her growth plan. With the consultant she developed a plan to open five stores, opening about one

store per year. The consultant felt at that point she would have the option to sell the whole business for about $2,000,000 or continue to grow it.

As it stands, two years have passed and Karen has two stores that net her about $150,000 a year together, before taxes. Both her locations are growing. When considering the value of her stores were she to sell them, her net worth is considerably higher than it was just two years ago

Karen is about to open her third store and the margins in her current stores are increasing. There have already been offers to buy her business that would make her a millionaire, but she feels that if she grows her business a little more, she can sell it for at least $4-5,000,000 to a large retailer in a few years. She is open to different paths for the future of her business, but all of them lead to her being a millionaire sooner rather than later.

I love Karen's story because I've met high-income earners like her who were trapped by their job. They felt like they made too much to quit, a.k.a. the "golden handcuffs." Karen turned that into her advantage. By dramatically reducing their expenses, she and her husband built their own war chest for starting her women's clothing boutique. In taking all the steps that she did in preparation, she practically guaranteed her own success.

As her example shows, it can pay to keep your day job. By cutting personal expenses, saving money, and preparing yourself, you can conceivably start your business with little risk and no borrowing. You could keep your job until your business carries itself—or keep them both!

Ever heard the phrase "pull yourself up by the bootstraps?" It means to do it on your own without anyone else's help. Bootstrapping your business means doing everything you can with no outside money. Usually, this means starting out slow, using whatever money and resources you have, and continually reinvesting in the business—kind of "pay as you go," if you will. This is a much slower process, but it allows you to make mistakes without

losing your shirt. You won't have the burden of having to make your loan payments or having to report to or share your profits with your investors.

The more you can self-finance your business, the more control you'll have and the less value you'll have to give up. You get to keep more of the money your business actually creates.

For many people, it makes sense for them to do as much as they can without outside funding. However, when going the bootstrapping route, be prudent. Don't max out all your credit cards or get another home equity loan. If your business doesn't make it, you'll still be stuck with the debt.

WHAT'S EXTREME SAVING?

Can you save 75% of your net income?

If that sounds extreme…well, it is. It's not easy—but it is possible. Put aside the question of whether you could do it for a moment. Instead, imagine for a second what you could do if you were already saving 50-75% of your after-tax income. What could you do with that much money? How quickly could you start your business? How much longer could you live off your savings while you got it going?

Harvard bankruptcy expert Elizabeth Warren (now a U.S. Senator) recommends saving 20% in her book *All Your Worth*. It's part of her 50/30/20 rule where 50% of your income goes toward your needs (e.g., the mortgage, groceries, insurance), 30% goes toward your wants (e.g., cable TV, vacations), and 20% goes into savings. That's a little extreme by most people's standards. Most personal finance books recommend less: saving 5-10% of your net income. Credit counselors suggest about 13% while the Consumer Credit Association pegs the percentage at about 15%. Seventy-five percent seems almost ridiculous by comparison.

You would be challenged to save 75%, regardless of your income. The less you make, of course, the more difficult it is. But even for people with

relatively high incomes, saving the majority of their income poses a challenge. We live in a consumption society. The old adage, "The more you make, the more you spend," certainly holds true for most Americans. This isn't a criticism; it's just natural to have a better lifestyle when you can afford it.

I never saved 75% of my income before I became financially independent. It wasn't until after I already had my $1,000,000 in the bank that I came across the concept of extreme saving. It had never even occurred to me. I did what I was I was supposed to do, according to our society. I went to school, graduated from West Point, bought a new car, found an apartment, married my wife, and lived a normal lifestyle. My peer group of Army officers set the standard for what I should own, the clothes I should wear, and where I should live. I couldn't have lived on just 25% of my income and "kept up with the Joneses."

Make no mistake—you'll have to get creative if you plan to follow the extreme saving model. Your biggest expense is probably housing. You'll need to get that down as low as you can possibly go. You might have to live over someone's garage, get some roommates, or even become someone else's roommate.

One risk of extreme saving is that you might end up living so frugally that you have a hard time stepping into the mentality of an entrepreneur. At some point, you have to spend money to make money. If you and your family have scrimped, saved, and sacrificed, it may be hard for you when you have to start buying equipment, signing leases, purchasing inventory, and whatever else it takes to start your business. Your customers, employees, and investors will expect certain things in your business. If you can't bear the thought of buying nice fixtures, splurging on customer dinners, and paying performance bonuses, you may never get your company off the

ground. In fact, the risk of losing your hard-earned money may keep you from taking that big leap to entrepreneurship in the first place.

I know it's hard to save 75% of your income. Your loved ones will probably think you've lost it. Your spouse may be completely unwilling. If you live in Manhattan, it may not even be financially possible.

It doesn't have to be your lifestyle forever. Could you save 75% of your income just for the next year or eighteen months? Would having that capital be worth it? Would being able to start your own business without worrying about bank loans and giving up equity make up for whatever short-term sacrifices you have to make?

Only you can answer those questions. I'm not advocating that everyone sell their homes and go live out of old RVs forever. I just want to encourage you to think seriously about extreme saving. It is one path to help you become financially independent and one viable route for funding your own business. Plus, the more you keep your expenses down, the more freedom you have. The lifestyle of extreme saving focuses less on wealth accumulation and more on personal freedom. By keeping your personal overhead to a minimum, you don't have the worries and fears of what would happen if you lost your job. With low expenses and a big savings account, you have a sense of security.

The less you have to worry about covering the basics, the more you can focus on the future and the opportunities there.

Chapter 8:

Wealth and Savings

I came across the concept of extreme saving in the book Early Retirement Extreme: A Philosophical and Practical Guide to Financial Independence *by Jacob Lund Fisker. I was so impressed that I contacted him. He agreed to write this chapter, which speaks to becoming a millionaire.*

Wealth and high income are very different things. Income is what you make. Wealth is what you keep. In fact, how much you have in the bank right now depends on how much you have made up until this point in your life, and on how much you have ever spent. It is the exact difference between those two sums, the full value of your lifetime earnings minus your lifetime consumption or spending. That difference is the amount of liquid equity you have in yourself as a going concern. Your wealth!

Wealth can be spent on houses, cars, TVs and other electronics, travel to exotic destinations, and restaurant dinners. Yet it can also be invested in other people's businesses or in your own. Investing in your own business means less dependence on outside capital. Money in the bank allows the founder to retain more equity, as ownership is not diluted by the need for other people's money. Finally, if there's enough money, it can also buy financial independence from the need for a paycheck income. This means that 100% of the time can be spent developing the business without having to hold down a second job. It also means that cost of living isn't being paid from funds that could and should be used to grow the business.

Due to hedonic adaption, most people use all their income keeping up appearances. No matter how much income grows, spending always grows

proportionally, leaving little wealth. Therefore most have very little in the bank. This is why many people went broke during the financial crisis despite having six-figure incomes. Many of them did not have savings to last them more than a couple of months after they lost their job.

If you want to get wealthy, you can't waste money keeping up with the Joneses. The key to wealth is to live below your means. Therefore, if you want $1,000,000 in the bank you have to drive a wedge between your earning and your spending. This wedge is characterized by the percentage of income saved. The larger the percentage, the larger the wedge. Over time this wedge grows the bank balance or liquid equity into the millions.

How fast this happens depends on the slope of the wedge. The steeper the slope, the faster the increase in net worth.

Depending on the economy, the average American saves 0-5% of their income. However, saving 5% means that it takes (100-5)/5=19 years just to save the equivalent of one year's income. Financial planners typically recommend saving 10% of your income. This still means that it takes 9 years to save one year's of expenses. Thus, if you make $100,000/year after taxes, it still takes 90 years to get to $1,000,000. Needless to say, financial planners and their clients are hoping for the stock market to make them millionaires by repeating the same extraordinary performance of the 20th century in the 21st century. However, hope is not a strategy. Math is! Let's see what happens when the wedge gets steeper.

If you save 75% of your income, then you save three years' worth of expenses for every year of work. That adds up fast. After ten years of work you will have thirty years' worth of expenses. If you made $100,000/year, you'll have 30 * 25,000 = $750,000 in the bank. This money can be used to fund a business and/or pay for living expenses for many years to come. The next question is how to make this happen.

When building wealth, most people tend to focus almost exclusively on the income side. This is probably because that's what everybody is telling them to do. Consequently, little attention is paid to the spending side and thus most people are amateurs when it comes to saving money. While everybody makes a business plan or a career plan to increase the likelihood of increasing their income, few seem to make a "savings plan" to increase the likelihood of keeping as much wealth as possible while living well.

A "savings plan" goes far beyond setting up automatic withdrawals into a savings or retirement account. A good savings plan will include a strategy for where to live, how to get around, what to eat, how to get things, and how to control the depreciation cost. An even better plan will—paraphrasing Chateaubriand—integrate work and play, mind and body, recreation and education and pursue a vision of excellence, that is, a life that is interesting and leads to wealth.

In conclusion, a business plan is incomplete without a corresponding savings and living plan that aids the business plan in creating a wealthy life, financially, spiritually, physiologically, intellectually, etc. These plans must be tied together and mutually support each other, rather than being separated, to get maximum benefits.

Most frugal advice focuses on little tips and tricks that save a few bucks. Trying to save even a thousand bucks per month leads to "frugality fatigue" as hundreds of small changes must be implemented. It is far more effective to focus on a few big items. Not only does the Pareto Principle hold on the customer side where 20% of your customers bring in 80% of the revenue, it also holds for your expenses, where 20% of your decisions affect 80% of your budget.

According to one study by the Bureau of Labor Statistics, the biggest expenses for the average family are:

1. Housing (33%), large fraction is utilities

2. Transportation (17%)
3. Food (13%)
4. Clothes, personal grooming, and entertainment (10%)

This means that 73% of the average person's income is spent on just four out of the many categories tracked in the statistics.

If a better solution to get the same for less can be found for these four categories, it is much more effective than attacking a multitude of small expenses. If you're pound-wise, you can be penny-foolish, up to a degree of course. Keep in mind individual budgets vary. What's important is to look at your budget and optimize that. Let's look at the four categories in more depth.

The biggest expense for most people is their home. Unfortunately, their home is also many people's biggest asset. They may have a lot of home equity wealth, but they are cash poor and thus do not have the benefits and opportunities that wealth offers. Of course this is because "buying as much home as you can afford" was a standard mantra for a long time. This advice may be good for someone who has problems controlling their spending and intends to remain an employee for the next thirty years, but for someone who wants wealth and doesn't specifically buy houses for investment purposes, spending money on an asset that appreciates a few percent annually instead of a business is not the best idea.

Instead of buying as much house as you can afford, only buy as much house as you need. Think very carefully and don't confuse need with want. Many people mainly use their home for two things, namely for sleeping and storing their stuff. Now, is bed and storage service really worth spending 30% of your income on? It may be in special circumstances but I think most people would be better off with a smaller home, probably smaller than they think. This has several benefits.

First and foremost, a smaller home costs less upfront. However, this also means spending less money to heat, cool, light, and furnish it, as those costs are almost directly proportional to size. Given that furnishings and utilities make up two-thirds of the total home expense, size clearly matters. If your business or skills are very mobile, it may make more sense to rent so you can relocate quickly and easily. On the other hand, if your business requires a lot of storage space and a workshop it may make more sense to own. When choosing where to live, think of how it fits into your business plans for the next ten years. Then integrate it.

The second biggest expense tends to be the car or cars. People spend a full one-fifth of their budget just to get around because they are located in the wrong place. In its most abstract, spending money happens because someone or something needs to correct your inefficiency. Conversely, being paid means that you're correcting someone else's inefficiency. Being strategic about your home's location can go a long way when it comes to the transportation inefficiency. When deciding where to live or where to move to, think about where you need to go for work or groceries. Make sure it's feasible to walk as much as possible. Living close to a supermarket could mean needing one less car. Living close to a supermarket and work could mean not needing a car at all. Think of the home + transportation as a combined solution! It may make sense to live further away if homes are expensive and gas and time is cheap. However, in many cases, this is not true.

If you find you must have a car, get a quality car like a Honda Civic or a Toyota Corolla or Camry which holds its value well and lasts forever. If you know more about cars, see if the model you want has a support group or forum on the internet. Good cars will typically have a fan base and these days you can find a how-to video of almost any car repair or maintenance issue on the internet. Start easy by changing the oil. Then move on to more

complicated things as you gain experience. Stop paying the mechanic $30 to change a broken taillight. With experience you become a better authority on buying cars used. Since you're paying cash now (obviously) this also means getting a much better deal.

When you get really good, you can even start making money from your transportation issues. Buy a fixer-upper with cash. Then fix it, drive it, and flip it when you get tired of it. You don't need to be a mechanic to do this successfully. Your car can be a source of income rather than an expense. The same goes for motorcycles, bicycles, and boats.

The third biggest expense is food. The average family of 2.1 persons spends $550 each month on food. Half of this is spent on preprocessed foods, judging by what's mainly available in the supermarket, and the other half on eating out. Similar to their cars, most people spend a lot of money unnecessarily because they don't know how to cook. Learn how to cook. Not only will you realize that you can often do better in your kitchen for $10 than you can by spending $50 in a restaurant. It's faster too. Just like with transportation, cooking has a learning curve. If you can barely fry an egg or cook a potato, it will take a couple of years before people start praising your talents as a sushi chef or an artisan bread baker, but once they do, you'll know that it only cost $2 per person to make.

Sometimes people quote the law of comparative advantage to make the excuse that they shouldn't be spending half an hour to cook in order to save $10 when they make $30 an hour in their job. Then they order pizza and go and watch TV. Of course the law of comparative advantage only holds if you have the option to make more money at any time. For most people, it is not a case of either or. Often you can do both.

Furthermore, the food you can make yourself is often substantially healthier than anything you get from a restaurant, where health has been sacrificed for taste, and ready-made meals from a supermarket, ditto. Given

that around half of all diseases are lifestyle diseases that follow from bad food choices and bad exercise choice, it makes a lot of sense to take control of your cooking. This also feeds back to your choice of location. If you live in a place where you can walk a couple of miles to work and the supermarket and then cook your own food, you will be both healthier and wealthier compared to driving 20 miles each way to work and eating at restaurants. You might even want to consider starting a garden. I recommend square foot gardening for the easiest way to success. There are many books on this.

At this point you should be considering how your business and work ties together with where you live, location-wise, how you get from where you live to where you work, transportation-wise, and how this ties in with what you eat and how you get your food.

The fourth item to consider is your things. Make a list of all the things you use regularly. The easiest way is to write the item down every time you use one that is not on the list. After one year, get rid of everything that is not on the list. List it on eBay, craigslist, or in the classifieds. Hold a yard sale. Another slightly messier but more visceral method that accomplishes the same is to pack up all your possessions in boxes. This method is best done during a big move. Whenever you need something get it out of the box and keep it out. Do not take anything out of the box you don't need. Do not take anything out that you think you may need. After a year, get rid of all the boxes that still have something in them.

This may sound harsh, but it's just stuff. What's worse is that extraneous possessions often make dumb decisions for us in nefarious ways. They destroy opportunities. They prevent us from moving to better work in another city simply because "moving all that stuff" is too much of a hassle. They make us consider homes with more bedrooms so we can get more space because the space that should be there is taken up by stuff. Compare

this to a business. Well-run businesses do not tend to maintain extra space so they can store things that haven't been used in years. They're mean and lean. Strive to be the same.

When making a purchasing decision, consider the depreciation factor. What does it cost? How long will it last? How quickly will this thing lose value? Can I resell it if I no longer need it? If you make your buying decisions with the aim to make depreciation as small as possible, you can own and use a lot of things and yet pay very little. An example may suffice. In one case we pay for a poorly constructed yet fashionable dinner table for $400. Four years later, it is out of fashion, it has unsightly scratches, and nobody wants to buy it. Annual cost is then $400/4 = $100/year. In another case we buy an antique table for $600. While the initial outlay is higher, we are able to resell it eight years later for $400. Annual cost is then $600-400/8 = $50/year and that was a much nicer table. Always consider the resale value of all your assets.

Thinking of your expense budget as an integrated solution where each category affects every other category (much like a business) should make for a much more efficient way of spending. None of these suggestions involve sacrifice. It's simply a smarter way that gets the same utility for less because it involves deliberate and informed consumer choices that mimic good business sense. To paraphrase a trite slogan: "save smarter, not harder" and you will be on your way to $1,000,000 in the bank much faster.

Chapter 9:

Other Places to Find the Money

In 2007, things looked pretty good for Shawnta Ray and her husband Rick. Just two years after buying Shawnta's former employer's three toy stores in the St. Louis area, they had grown the business to over $1,700,000 in annual sales with thirty-five employees. It looked like the sky was the limit for Happy Up, Inc.

Then the economic downturn hit in 2008. They had to lay off most of their employees and completely close down two of their locations. For four years, they struggled to keep their doors opened. As an independent toy store, they had it especially hard. Just four companies account for almost 90% of all toy sales in the U.S. As part of their marketing strategy to carve out a niche against such giants, Shawnta and Rick began hosting free game nights all over the community. They were so popular that they were booked solid for months.

In 2012, just when things looked like they were turning around, their bank suddenly decided to call their note. They had little notice and no explanation. Having exhausted every other avenue they knew, they announced that they would have to close their doors for good.

Their customers wouldn't hear of it. They came into their stores, begging them not to close. But one customer did more than talk—he put his money where his mouth was. He set up a crowdfunding project on www.crowdtilt.com so that anyone could donate to the toy store. Without Shawnta and Ray having a clue, the crowdfunding campaign raised $82,000—enough to reorganize the company's finances and keep the doors open.

A year later, they made a profit again. Now, two years out, they expect to gross about $1,000,000 in sales. They have a clear plan for moving forward and they feel their business is doing better than ever. Their hard-won lessons have given them far more experience and they feel more confident than ever. They see themselves with $1,000,000 in the bank in the near future.

This story serves to illustrate that there are other sources of capital you should consider when beginning your business.

GETTING A BANK LOAN

I've presented what's often the best option for finding money (self-financing) and another common option (borrowing from family and friends). However, if your business concept truly warrants a bank loan, then let's discuss how to go about it.

For any loan, you generally need two things: good credit and collateral. As I said earlier, in the initial stages of your business, you'll probably be taking out a personal loan, even if you intend to use it for the business. The bank will want your home equity, a certificate of deposit, or some other asset they can seize if you can't make the payments. Your interest rate on the loan will probably be determined by your credit score.

Speaking of credit scores, be careful about applying for loans. Every loan application triggers an inquiry on your credit report, and each inquiry takes points off your score. Too many inquiries in a short amount of time—say, six months—could prevent you from getting a loan. Banks like to be courted, but they don't like it when you have someone else on the side.

The good thing about a loan is that you don't have to give up equity, i.e., an ownership interest and control, in your company. You don't know what 10% of your company will be worth one day, so it's good to keep as much ownership as possible.

CROWDFUNDING

Shawnta Ray's toy story wouldn't have been possible ten years ago. Can you imagine getting money for free, never having to repay, and keeping 100% of ownership of your company? It really sounds too good to be true, but with the wonders of modern technology, such a fantasy is now one of several new and real crowdfunding options.

Basically, you set up a site online (usually using one of the crowdfunding platforms) so people can donate, lend, or invest money in your business to get you started (or take you to the next level). As part of the site, you have to pitch the appeal of your business, product, or service. You might make a video, write a manifesto, or create some other kind of tool to help people understand exactly why your idea is worth their money. You can even pre-sell your product.

Crowdfunding lets you reach a far wider range of people than you could ever reach on your own. Instead of speaking to dozens of investors, you can market to millions around the world. The better of a job you do selling your business or your product, the more enthusiastic your audience will be in supporting you. If they truly believe in what you're doing, they may even become ambassadors for your cause, reaching out to their networks to solicit on your behalf.

You can usually start a crowdfunding campaign for free. You'll generally pay the fee (fixed or percentage) after you've reached a certain milestone or when you withdraw the funds. New sites go up all the time, of course, but here are examples of the more successful ones:

Kickstarter (www.kickstarter.com). The very name is synonymous with crowdfunding. As of this writing, the platform has raised over $220 million for 61,000 separate projects, making it the world's largest funding platform for creative projects. Part of Kickstarter's appeal is that its projects are all-or-nothing: either the milestone is met, or no money is awarded at all. As the

money starts trickling in, it gains momentum, as the stakeholders don't want to see those funds go to waste.

Indiegogo (www.indiegogo.com). This site is similar to Kickstarter, but a bit broader. In addition to projects, you can also raise money for charities. You don't have to meet your goal to keep the funds raised, but there is a higher percentage taken out for milestones not met.

Crowdfunder (www.crowdfunder.com). This site allows U.S.-based companies to raise capital by selling equity, debt, and revenue-backed securities. This is a way to short-circuit the investor arena, and to potentially attract investors and venture capitalists who otherwise would never hear of your company.

PEER-TO-PEER (P2P) LENDING

P2P lending is a bit of a twist on crowdfunding. You can go online to a few different sites such as www.prosper.com and www.lendingclub.com. There, you post your reason for needing a loan and wait for someone else to offer you the loan. Most people are consolidating debt, such as credit cards or medical bills, but I've spotted plenty of loans for business startups.

Most sites require a credit score of 660, and the interest rate is usually based on whatever your score is. Generally, the interest rates are between 7% and 24%. While that may be higher than some bank loans, it's cheaper than some credit card rates.

Most of the lenders on the site spread their loans over many borrowers to lessen their risk. Your loan is probably only one loan in a much larger portfolio. The appeal is that you don't have to put up your house or anything else for collateral. You don't have to sign away your firstborn child. You don't have to deal with the bank loan officer frowning over your savings account. You can borrow $1,000 to $35,000 with a personal, unsecured loan while sitting in your pajamas hunched over your laptop at the breakfast

table. This was unheard of when I started my business. Again, the wonders of modern technology.

The funds are generally available straightaway. Your monthly note also starts straightaway. The website takes care of distributing the right amount to the lender(s) who put up the money for your loan.

Later, when you have $1,000,000 in the bank, you can come back to P2P sites as a potential investment vehicle and as a way to "pay it forward." Since 2009, Lending Club has loaned over $3 billion and experienced an average rate of return of 14.4%, matching or exceeding the return on many categories of investment.

MICROLENDING

Microlending sites function much like P2P platforms, but are dedicated to helping microentrepreneurs. The vast majority of such sites and organizations focus on microlending as a way to combat poverty. It's the same idea behind "Give a man a fish and feed him for a day. Teach a man to fish and you feed him for life." By enabling these would-be entrepreneurs to start their own businesses, you're giving them the chance to help themselves.

The two best-known microlending platforms are Accion (www.accion.org) and Kiva (www.kiva.org). While much of these organizations' funds come from large donors and grants, they also offer P2P lending. The interesting thing about these platforms is that would-be lenders can specify where or how they want their money to be loaned. For example, they can stipulate that their money only go to farmers, women, or entrepreneurs in a certain city. A businessperson in Corpus Christi might donate $100,000 to go to startups in his community as a way to encourage local economic development. However, thousands of donors put up as little as $25 to lend.

Accion specifically serves as a “lender of last resort,” if you will. To even apply for a loan, you have to show that you have already been rejected by a mainstream bank. That’s not to say that they’ll accept anybody. You still have to demonstrate that you’re a good candidate for their loans. You’ll need decent credit, no bankruptcies, and to demonstrate that you pay your bills on time. You may also have to put some collateral on your microloan. Instead of a home, though, you may be able to use your paid-off car as a guarantee.

Accion has a good track record. Since 1991, the nonprofit has distributed over $210 million to 20,000 entrepreneurs in the U.S. That averages out to about $10,500 per entrepreneur. While that may not be enough to launch your business, it can certainly help with some of the startup expenses and operating capital.

It used to be that borrowing $25,000 from one bank was far easier than borrowing $25 from 1,000 people. Now, the exact opposite is often true. Crowdfunding and microloan sites now offer a way to easily raise some of your startup capital—if not all.

Chapter 10:

Raising Money from Investors

I've interviewed more than one personal fitness trainer who was well on their way to success. One such example is "Geoffrey," a twenty-seven-year-old in sunny California. He had no business experience but he knew he wanted to open a gym. After taking a few free business courses through his local SBDC, he took $12,000 of savings, borrowed $45,000 from family, and opened a CrossFit affiliate. Geoffrey only had gross revenue of $35,000 his first year, but by keeping his costs way down he still turned a profit—enough to live on, he told me. He was very excited to report that he was just into his second year and was sure that he would more than double his gross revenue—possibly even more. With more help from his business mentors, he should be able to greatly expand his business and start pulling in serious money. Geoffrey is admittedly a long way from knowing if he will get to $1,000,000, but he has started, he has a dream, and he is working hard and smart.

One of Geoffrey's advisors is also a personal fitness trainer. He started his business in a public park—a smart move that kept his overhead to nearly zero. His groups eventually got so big that he needed a permanent location for his sessions. He sought out one private individual who invested $100,000. Because he had such a large base to begin with, and because of that upfront investment (vs. a bank loan), this trainer was able to leverage his park meetings into a gym where he now makes over $30,000 in monthly gross revenue. Much of that is profit. Clearly, he's on his way to $1,000,000 in the bank.

Stevenson Fitness is another great example. The founder, Chris, started with a strong background in personal training but with little business management experience. After being counseled by his SBDC mentor, Chris found a handful of private investors in 2009 to put up $300,000 for a controlling interest that would be reduced to a non-controlling interest after their initial investment was repaid. He also began pre-selling memberships before the gym was even open. On top of that, he was approved for $170,000 in SBA-backed loans. With all that capital, plus a lot of careful preparation and some savvy marketing, his gym was soon grossing $100,000 a month. It did not take too long to repay his investors and he now has a controlling interest in his business. Chris is also on his way to $1,000,000 in the bank.

Believe me—if you have a sound business idea, the money is out there. That's not to say it's easy to get, but it is there and you can get what you need. Be prepared and be persistent in your efforts to find the money you need.

The most expensive way to fund your company is through investors, but it is often necessary. Their investment dollars come with certain strings attached—namely, ownership of their share of the profit and sometimes having a say in how you run your company. The bigger you grow the company and the more money you make, the more money your investors make, too.

If you can borrow the money you need, isn't that always the best way to go? That way, when your loan is paid in full, you get to keep all the profits and retain full control. So why even bother with investors in the first place?

Three reasons. The first is flexibility. Sometimes your new business will take longer than you thought to reach positive cash flow or to break even. Your investors won't demand money like a bank would in that unproductive

span of time. That means you won't have to find the money from somewhere else in the meantime to make your monthly loan payments.

Second, having investors mitigates your personal risk. If your startup goes bankrupt, your investors lick their wounds and then go on with their lives. With a personal loan, on the other hand, the banks are going to seize your house, your car, and anything else they can get their hands on—this, after your business has already gone up in smoke.

Third, in some cases your investors become your biggest supporters and help with customers, connections, and advice. They have a big interest in your success, since your success is their success, and will often be an extension of your business presence that could be invaluable at the right time.

WHY INVESTORS INVEST

But why would someone invest money in you and your new company in the first place?

Some entrepreneurs are so in love with their idea that they never stop to look at it from the investors' point of view, and are not effective at raising money. On the other hand, there are plenty of entrepreneurs who believe that no one would ever willingly invest money in their company, so they don't bother asking.

Investors invest for different reasons. It's not always just about how much money can be made. Sure, their return on investment is very important. But there are a number of other factors that may be important, too.

For example, there are many mutual funds that specialize in different types of companies. Some people want to invest in solid blue chip companies, while others may want to invest in clean energy companies. Everyone who is investing in mutual funds has a primary interest in making a good return. But many people today are not interested in making the best

return at all costs. Some want to invest in companies that are committed to sustainability or that adhere to a certain moral code. For example, there currently about 500 socially responsible investment (SRI) funds that won't invest in companies from the alcohol, tobacco, gambling, and weapons contracting industries.

Likewise, investors may want to invest with you for reasons besides strictly money. Perhaps they believe you'll create jobs in their local community or they want to tell their country club buddies that they've invested in a golf-related startup. It could be they lost a loved one and want to invest in a healthcare-related company. While they'll still usually want to make money, they'll accept more risk to invest in something that touches their heart.

For example, I spoke to Don, the owner of a company that brokers equipment for the oil and gas industry. He had been approached by a friend with a specific investment project in mind: the renovation of the downtown where Don and his younger brother had grown up. The real estate would cost $100,000,000, and Don would need to provide about 10% of that. You tell me—how many other places could he invest $10,000,000? Why did he choose to invest in this particular real estate deal and tie up so much of his money? Because they agreed to name the park after his younger brother, who had died from cancer years before. That sealed the deal for Don.

Then, too, there's the story of the sixty-year-old consultant I met named Alan. For years, he had taken an annual bird hunting trip with a number of his business colleagues. One guy always brought his son, so Alan got to see him grow up. A few hunts ago, the father excitedly told Alan that his son was leaving Microsoft to start his own company. Afterwards, Alan reached out to the young man and asked if he could help. He knew $50,000 might not be a lot, but he wanted to honor his friendship with his father—and it just felt like the right thing to do. He told me he had no clue what the tech

company was about, nor what kind of return he could expect. He just wanted to help his friend's son.

Whatever their motivation, if an investor decides to work with you, it's because they trust you. That trust is essential to your company's success. Don't ever abuse it.

HOW MUCH IS YOUR IDEA WORTH?

It is difficult to determine the value of a startup, if not impossible.

In the beginning, you may be willing to give up too much equity in your business, especially if this is your first one. Should $10,000 buy 10% of your company? Fifty percent? How much is too much and how little is too little?

When determining how much to sell an ownership interest in your company for, use comparable companies to see what's realistic and feasible in your market. How much did they grow over time? What have their net revenues been? What's the current forecast for the market? When negotiating with potential investors, don't assume that they automatically see things as you do. It's in their best interest to get the biggest bang for their buck. Until your company starts making money, your projections are more dreams than substance. However, realistic projections based on comparable data, coupled with the investors' confidence in you and your key personnel, will go a long way in helping you secure the best deal possible. Do your homework and use solid research to figure out what your company will be worth.

While you shouldn't be greedy, neither should you roll over. We're trying to get you $1,000,000 in the bank. If you give away 50% of your company for $10,000, you only have the rights to 50% of the company's profits. If you make $300,000 in profit your second year, you'll only be entitled to half of that.

While your investors will be quite happy to give you $10,000 and get $150,000 back, that doesn't help you much, does it? If you had negotiated their original investment as a tenth of your company instead of half, you could have pocketed a lot more cash.

Of course, you can't expect to stiff your investors, either. As we just discussed, they can go to www.lendingclub.com and expect to get a 14.4% return on their money. Your business will likely have to offer a decent return. They have hundreds of other places they could invest their money. You have to make it attractive enough for them to choose you.

HOW MUCH DO YOU REALLY NEED?

How much do you really need to get your company up and running, and still have some left over for operating capital? This question is one of the reasons a solid business plan is so important. If you don't know how much you'll need, how will you know how much you need to raise? If you raise less than you need, you could run out of money before your business gets off the ground. Keep in mind that if your projections show that you'll have positive cash flow in a year, that future cash could be available to fuel your growth, in addition to any startup capital raised from investors.

When raising money, here are some rules I've learned, mostly from experience with my own companies:

Rule 1: Figure out how much capital you need, then double it

If you can avoid additional rounds of funding, you'll avoid headaches and interruptions and often will wind up keeping more of your company.

Rule 2: Estimate future revenue aggressively, but support your numbers

Keep your projections optimistic without being unrealistic, by providing research and data supporting your conclusions. Your potential investors

know that entrepreneurs are always optimistic anyway and will discount your rate of growth, regardless of what you say. By starting out on the high end, you can arrive at a better deal than if you started out low.

Rule 3: Retain a controlling stake of at least 51%

If you don't have majority ownership, then you are by definition a minority shareholder. That means you can be removed from your own company if the majority votes against you, and any decision or suggestion you make can be overturned or entirely ignored. While you should be a respectful partner with your investors, you don't want to be their subordinate. An exception to this is if your company is an LLC whose operating agreement gives you special rights and decision-making authority allowing you to retain control even with a minority ownership stake.

Rule 4: Project confidence and passion

When asking for money, never show weakness or desperation. Investors want to entrust their money to someone they believe in.

Rule 5: Draft the investment documents before the meeting

Have your standard terms worked out, and change them only if it's in everyone's best interest. No one investor should get a better deal than anyone else just because they can negotiate a better arrangement.

You should also be prepared to show how much skin you have in the game. Investors want to know that they're not the only ones taking a risk. You don't necessarily have to put up capital. I didn't when I started my oil company—mostly because I didn't have any. You just need to demonstrate how committed and motivated you are to your endeavor. It makes sense. The more you have to lose, the harder you'll work to succeed. If you don't have any money to invest upfront, then you have to convince investors with your

confidence, your preparation, and evidence of your commitment to the success of the business.

THE INVESTORS HIDING IN PLAIN SIGHT

"Undiscovered investors," as I call them, don't look and act like typical venture capitalists or cutthroat Wall Street types. They're typically your local doctor, fellow small business owner, or retired executive. They're not necessarily active about finding different investment options. These types don't advertise that they're open to business opportunities. In fact, they may not have ever considered investing directly in another private business at all.

Even if they do, they probably won't invest $1,000,000. But $25,000 or even $100,000—they might be willing and able, if the opportunity is right.

When you present to undiscovered investors, your business plan won't have to be as detailed as it would be with a venture capital firm. However, it must be sound, realistic, and make sense. Above all, it must be clear and easy to understand. While these types may not be "sophisticated" by Silicon Valley standards, they're not dummies, either. They're smart and successful—they just don't have the time or experience to do as much due diligence. Thus, much of the work to convey the right information in an understandable way falls on your shoulders. Their decision will be based more on how much they trust you than how much they trust your plan.

It takes a little more work to dig these people out of the woodwork. When you find them, you have to be extra careful to make the investment clear and to be fair and aboveboard. I started my company with four people like this. Our investors consisted of an environmental consultant, a manufacturers' representative, a feed store owner, and a retired minister. I had a simple, fifteen-page business plan. Because of their trust in me, I was able to raise $203,125 in just a few weeks' time. These people were not friends or

relatives. I knew them through business contacts or referrals from other people I knew.

In some cities, investors have come together to form organizations, though most of the time, it's simply a loose network of like-minded people. The upside is that it's easier to find groups of people than individuals. The downside is these groups are comprised of pretty sophisticated investors with lots of choices. You'll be competing against everyone else who wants their money. Because of that, many organizations require you to go through a screening process to make sure your presentation is worth their members' time. It's better if you can find those undiscovered investors. They are out there, many, many of them.

The experience is worth it even if you don't get funding. Going through the fundraising process will help you tighten up your plan and presentation, giving you extra clarity and preparing you for a better conversation with your next suitor. With every presentation and conversation, potential investors question different aspects of your project, which allows you to create an even better pitch going forward.

But most undiscovered investors don't belong to any organization—so how do you find them?

Chapter 11:

Spot the Investors Right in Front of You

They're everywhere.

They sit beside you at the barber shop or beauty salon. They're in the waiting room at the dentist's office. They're standing in line behind you at the bank. They ride the train with you in the mornings.

Potential investors surround you. Sure, the venture capitalists and billionaire types live in Manhattan and San Francisco and the like, but you aren't looking for them. Your million-dollar business may only need $35,000 to begin. And believe it or not, you've meet plenty of potential investors who could write a check for that without even worrying about it.

Many years ago, I was putting together a group of investors for a business that imported Chinese beer. I would step into an elevator, turn to the guy standing next to me, and ask, "Ever think of owning a Chinese beer company and making a lot of money doing it?"

You might think that everyone would tell me to take a hike. You'd be wrong. Surprisingly, that one sentence piqued many people's interest. We started a conversation. It carried off the elevator as we walked together. They had more questions and I had more time to pitch the idea to them when we got off the elevator and stood in the in the hall or I walked along with them. In many cases, it led to our exchanging information.

I've gotten more "no thanks" than I can count. I've also made solid contacts that were worth the risk of rejection. I met the owner of a professional basketball team, a diamond buyer, a professional poker player, ranchers, oilmen, attorneys, and the like. They almost never look the part.

Some of them have invested hundreds of thousands of dollars with me in different projects and deals. But I would never have met them had I not turned to them in the elevator or standing in line somewhere and pitched them an idea.

Networking with people isn't a one-time event at your chamber of commerce. Ideally, it's a mentality that turns into a habit. I often go to a local shop where they'll wash and detail your car while you wait. I go there always expecting to meet someone in the waiting room.

On one such visit, I was sitting alone reading a book when a gentleman in his late fifties walked in. He had on shorts, a casual shirt, and boat shoes. His unshaven face and windblown look only added to his beachcomber appearance. He sat down and began twirling something on the table in front of him. Curious, I waited until it stopped to see what it was.

"Your class ring?" I asked.

When he nodded, I asked where he went to school.

Proudly, he said, "Texas."

Now, if you live in Texas, you know that "Texas" means the University of Texas. I moved over to his table and told him UT was a great school—what did he do for a living? It turns out he was a wealthy attorney and had had his own litigation firm for quite some time. We chatted for a while longer and exchanged contact information.

I haven't approached him yet with any investment opportunities, but based on our conversation, I'm absolutely sure he could invest $25,000, and quite possibly more.

I don't go to some car wash place that caters to the rich and glamorous. I've done plenty of business and investment deals with acquaintances made in everyday places. I strike up conversations with these potential investors all the time. It usually starts with some small talk, such as the weather or the book I'm reading with my highlighter in hand. I might ask them if they like

to read. Whether they do or not, that's not the point. I'm just trying to get the ball rolling.

Next, I usually ask them what they do for a living. Preacher, housewife, business owner, doctor, lawyer, garbage collector, banker—I've heard it all in the car wash waiting room and everywhere else I talk to people. After doing this for so many years, I can now spot certain clues as to whether they'll make a potential investor (and it's not necessarily because of their job). If it looks like there's a business opportunity, I'll steer the conversation in that direction and we'll wind up exchanging information. If not, we'll have a nice chat about their kids or whatever sparks their interest. Regardless, I approach every interaction believing that the other person has something I can learn. It's great practice for turning networking into something natural and normal.

Even if they never want to invest, who knows? They might know other people looking for potential investments.

FINDING INVESTORS AT STARBUCKS

Just about everyone these days goes into a coffee shop. We're all addicted to the caffeine, plus it's a great place to conduct business and get some work done. Because of all these factors, it's another place you can meet prospective investors.

I decided to do a little experiment to prove my point about how easy it is to network by stopping by my local Starbucks three different times during one week.

The first day, I struck up a conversation with a nice woman looking for a job. She wasn't a candidate to present any investment opportunities to, but we had an interesting conversation nevertheless. The second day, I struck up a conversation with two doctors sitting nearby that led to us exchanging information, as they were definite prospects. The third day I talked to two

medical sales reps in scrubs. They were pretty skeptical. Based on that and our conversation, we didn't exchange any information.

Result: three coffee runs to a random Starbucks yielded two potential investors.

I didn't need to go the country club. I didn't have to go to a ritzy restaurant. No need to hobnob over hors d'oeuvres and cocktails. You don't have to hang out in elevators, car washes, or coffee shops. (Doing so may actually earn you the wrong kind of attention.) Just a cup of coffee and a willingness to strike up a conversation led to finding a couple of investors who can probably put up $25,000 apiece for a business venture.

My examples simply serve to illustrate the point that investors are everywhere—*your* investors. I've made great business contacts flying next to someone, happening to walk beside them on the way to my car, or even sitting on a bench at the mall waiting on my wife. If they can talk, there's potential to connect. Even if they don't have the money to invest, they probably know at least one person who does.

Regardless of age, gender, race, or anything else, you can do the same. If you're polite and decently confident, you can turn a chance conversation into an investor willing to back your business idea.

SMART NETWORKING

We've discussed approaching family and friends as investors as well as total strangers. There are places you can go or affiliations you can tap to find "warm" prospects. For example, you could approach people at your church or any alumni groups you belong to. I can pick up the phone to call any fellow West Point alumnus and know they'll take my call out of courtesy. That doesn't guarantee anything will happen, but at least it'll get your foot in the door.

Another approach that can be helpful is to attend business- and entrepreneurship-related events. You won't meet many ready and able investors there, as many attendees are poor entrepreneurs looking for money themselves. Still, these events can be educational and introduce you to some good contacts. For instance, one particularly worthwhile event is Startup Weekend. Startup Weekend events are in every major city and provide a wealth of contacts, experiences, and insights you simply won't find all in one place anywhere else.

From their website: "Startup Weekends are 54-hour events where developers, designers, marketers, product managers and startup enthusiasts come to gather to share ideas, form teams, build products, and launch startups!"

As you can tell, it's heavily slanted toward tech, but everyone is invited—and it's cheap, to boot.

You don't even have to have a startup idea—there will be plenty there for you to work on. You'll be assigned to a team to develop an idea through the weekend. In fact, your background doesn't have to be anything IT-related. After all, high-tech companies still need marketing, copywriting, sales professionals, human resource management, and legal input. You'll work closely with a team to develop a ready-to-launch startup over the weekend. Regardless of how your team does, you'll have made some great contacts, including people who might later help you with marketing or web design work for your own company.

Yes, many people at Startup Weekends are dreaming of starting or becoming a part of the next billion-dollar tech company. (Most of them would have a better chance at big success if they learned how to run a company on a small scale first *and* if they already had $1,000,000 in the bank to begin with…but I digress.) Even so, Startup Weekends are a place where you can get great ideas, experience an accelerated business startup,

and perhaps find some people who can support you on the various functions of your business as you plan it.

You don't have to wait for Startup Weekend. There are events happening in your region or city every month that bring these types of people together. Think of what you could learn with a whole event of these types and an entire weekend to spend with them.

FINDING INVESTORS ON LINKEDIN

I learned how to network in the B.C. years—before computers. Despite that (or perhaps because of it), I am a huge advocate of LinkedIn. It's the single largest business professional network in the world with over 300 million members. About a third of those are in the U.S. Its reach is enormous.

If you haven't signed up yet, put this book down and go get started. When I first joined, I'll admit I was reluctant to fill in my information. Besides being old school, I was hesitant to put my whole résumé online. I didn't have a Facebook account for the same reason. I didn't do much with it and just let it sit there for a while. Then I started reading some articles on professional social networking—chiefly around LinkedIn—and decided to put some effort into my profile. Unlike my example, I suggest you put a little work into your profile. Remember first impressions tend to last forever.

Your LinkedIn profile will likely be your top Google result and a big part of your online presence. People will judge you based on the quality of your photo and profile. There are many different elements of your profile, but do the best you can to get enough of your information up so as to give a good representation of who you are. You can (and should) tweak it as things change or to add something that you forgot. Make sure you have a good photo. A nice headshot with a smile is fine. People will judge you by your expression, your haircut, your clothes, the background, the lighting and focus, and anything else that might give clues to who you are. If you really

want to make sure you have a good photo, pick a few pictures and ask everyone you can which one they like best and why.

After I got my profile updated, I started joining a few groups and connecting with people I knew. Then I stumbled upon reconnecting with old classmates and colleagues. It wasn't too long before I was actively participating in groups and began reaching out to individual members. In just a few days, I was connected to 150 people. A few months after that, I hit 1,000 contacts. As of this writing, I'm at 7,000+. Not all of them are potential investors, but the point is that my professional network—and therefore my pool of potential investors and supporters—is larger than ever.

To help you get more contacts, you can put the acronym "LION" by your name, short for LinkedIn Open Networkers. This is a shorthand invitation for anyone to send you an invitation. (The implied promise is that you won't report their invitation as spam.) Just that one word will increase your contacts by about a hundred people every week. The "LION" addition will not necessarily get you more contacts that are potential investors, but it will get you more contacts.

I am still amazed at the diversity of people I'm now connected to. My contacts are all over the map, literally and figuratively. Russia, Mexico City, cardiologists, logistics personnel, students, business brokers—it's endless. Of course, I can't know them all personally. However, just having the LinkedIn connection gives us a tenuous connection, one that I can strengthen and cultivate one day, should I need to. Think about it. Who would you be more open to helping—someone who contacted you out of the blue or someone you connected with on LinkedIn two years ago?

I have used LinkedIn to successfully raise money and recruit fellow board members for the charity Justice for Children. I've had plenty of my contacts approach me about potential investment deals, and some of them were quite attractive. Of course, I've approached plenty of prospective investors myself

and have raised capital from them and their respective LinkedIn contacts. LinkedIn also lets you go right to the person you want to speak with, bypassing their secretary, subordinates, and the like.

Just being able to learn about someone without ever meeting them is quite powerful. If you know what to look for, their profile information and activity feed can tell you quite a lot about them. LinkedIn is also a great way to follow up on a chance meeting, like the ones I described in elevators and car washes. It also lets the other party learn more about you and your background, helping them form an opinion about how solid of a potential investment your business is.

What I thoroughly enjoy about the service is the wealth of expertise I have access to. I've simply asked for advice or insight and have been amazed with the sheer amount of good information my network came back with. Most people are willing to help.

THE RULES OF ENGAGEMENT (FOR INVESTORS)

Prospecting is the first step in a sale, and the same is true for people who can invest in your business. Regardless of what your business is, you are your first salesperson. If you can't sell your idea, you can't start your business. That is, unless you find a partner or hire a person who can be a salesperson on your behalf, but first you have to sell them on joining your team. Otherwise, you're dead in the water.

Most people are surprised at how easy it can be to raise $100,000 from undiscovered investors, once you know how to do it. You can even raise $1,000,000, if you have a polished, sound plan and are fearless at approaching people. The more people you ask, the greater your chances of securing the capital you need. You need to step out from just the people you know, as that circle may not be big enough.

There are billions of people in the world, yet potential investors are only a small fraction. Be selective about who you engage with a big investment of your time. Know what your goals are beforehand and spend your networking time wisely. It's better to target likely people and concentrate your efforts on them than passing out a hundred business cards to people on the bus.

Approaching people one on one is always more effective than approaching people *en masse*. You can't hand a stranger your number and expect them to call you. You have to have an exchange with them, get their contact information, and do the follow-up yourself.

What's the best way to go about this?

First, you can't judge a book by its cover. I've met plenty of good investors who, despite their unkempt and shaggy appearances, were quite wealthy and good investors, such as the beachcomber-looking litigation attorney I spoke about earlier. The more you practice, the more you'll be able to spot certain telltale signs that they are good prospects to approach, but you can be wrong. So when in doubt, and if you have the time, talk to almost anyone.

On the other hand, your own appearance does matter. You don't need to wear designer clothes and a Rolex, but you need to look your best. Or, rather, you need to look like a responsible person they can entrust with thousands of dollars. You don't have to wear a suit around town, but you need to always look sharp. You never know when you'll come across a potential investor—at the bookstore, grabbing a gallon of milk, or just pumping gas.

Above all, you need to speak clearly and project confidence. What do you say? You don't have to make a big deal out of approaching someone. Just something as simple as hello can get the conversation ball rolling.

Once you recognize the potential, you can throw your opportunity at them. Summarize your pitch in as few words as possible. Save the full-

length presentation for a dedicated meeting. In these everyday encounters, you just want to capture their attention and get them interested. I'm a fan of the elevator pitch because I literally pitch people in elevators. Having a ready-made pitch on the tip of your tongue helps you get your point across clearly, quickly, and effectively. When I don't have time for small talk, I go straight for their greed button: "Any interest in making at least 50% on your money?" The shock factor gets their attention and quickly reveals where they are. Whatever pitch you work out, keep it short and put in a fact or two. Go for the big impact statements with the greatest shock value. Be polite, whatever their reaction. If they can't help, ask them for a referral.

Everything I've shared up to now has been about helping you get what you need. Just remember that relationships are two-way streets. If you want advice, you have to be willing to give it. If you want people to introduce you to their networks, you have to be willing to share yours, too. In fact, this is the best way to build a strong network: being generous and helping others, especially people who might be able to help you.

Not everyone you meet will reciprocate accordingly, but I'm a firm believer in the big balance sheet in the sky: do unto others as you would have them do unto you.

Case Study:

From Under a Bridge to Through the Roof

Rick and Debbie Staly were on top of the world in 2005. After a successful job in law enforcement, Rick was offered a position as vice president of security for a real estate development firm, covering five states and two countries. They wanted him so badly that they covered his relocation costs and guaranteed Debbie an accounting job. Life was good.

Four years later, things weren't so rosy. With the real estate market in free fall, Rick and Debbie were both part of a messy layoff. They had a daughter in college, were upside-down on two homes, and had just lost both their incomes. Rick told me that, even with $100,000 in savings, they were about eight months away from losing everything and living under a bridge. Of course, he didn't literally mean living under a bridge, but it was a desperate time for them.

The Stalys witnessed firsthand just how unsecure employment really was. They decided to take their destinies into their own hands. Instead of looking for jobs, they set up their own private security firm. They started by going to SCORE and using SCORE's business plan template. It took the Stalys about two months to fully research and write a business plan. With their plan in hand and only a few months until going bankrupt, they founded American Eagle Sentry.

Worried their savings might not be enough to cover personal and business expenses, they went to a number of banks until they finally secured a line of credit. The upside of the depressed real estate market was that it was

cheaper for them to buy a building instead of leasing it, giving them an asset to secure their credit line.

They operated as frugally as they could. Instead of buying new cars for their patrolling security guards, Rick went to auction and bought used police cars. Using all their contacts, they were able to secure a couple of security contracts. They offered a 2% discount if their clients paid one month in advance, giving them some much needed cash flow.

In addition to their SCORE mentor, they hired an outside consultant right from the start—a smart move. She helped the Stalys specialize in upscale clients like condos, resorts, and gated communities. She also helped them tailor their marketing, starting with calling all of their potential clients and asking them what they wanted (and especially what they did not want) in a security firm.

Here are the results:

Year	*# of Employees*	*Gross Sales*	*Estimated Net Profit*
2008	53	$1,100,000	$275,000
2009	70	$2,100,000	$525,000
2010	102	$2,580,000	$645,000
2011	125	$3,350,000	$837,500
2012	128	$3,500,000	$875,000

In 2012, they sold American Eagle Sentry for over $2,000,000.

I've had people comment on the fact that Rick and Debbie had $100,000 to start with, which isn't realistic for most would-be entrepreneurs. As you've just read in Part II, $100,000 is not a problem. You can be flat broke and raise that much from going to your local car wash. They didn't have a novel idea. They competed against plenty of private security firms. And yet

they went from broke to millionaires in just three years, multimillionaires in five years.

What are they doing now? They had just bought a forty-three-foot motor coach to travel around America when Rick got a call. Would he consider becoming the undersheriff of Flagler County, Florida?

It was an important position, second only to the sheriff. He'd be in charge of a 265-person agency—probably the last chance he'd ever have at being in law enforcement again.

He said, "I told Debbie that I'd do whatever she liked. If she really wanted to start our road trip, that was fine with me. She looked me in the eyes and told me, 'Our road trip can wait. You go have fun.'"

In January 2013, Rick put on the uniform again to serve and protect. He told me, "Having the money from selling our business has given me a peace and a sense of empowerment. I'm more relaxed than ever and enjoying my job more. I'm as happy as I've ever been."

PART III:

THE BASICS OF SALES AND MARKETING

Chapter 12:

The Business Skills You Have to Have

After graduating from West Point, I was in the Army for ten years. During my military career, I commanded two units and was an infantry officer, a general's aide, and later an Army aviation officer flying helicopters and fixed-wing aircraft. By sheer necessity, I got into the habit of collecting skills.

Without any prompting from my superiors, I learned as much as I could from others. I read books on leadership, the art of war, tactics, military history, strategic thinking, and the like. I volunteered for any school or class the Army offered: weapons training, operations research, air traffic control, and even flight school. Once I became an aviator, I asked (and got) additional training in fixed-wing aircraft, scouting aircraft, and even attack helicopters. I wanted to be so qualified I could command anything. Basically, I took advantage of every opportunity I had to learn. I knew if I had as many skill sets as possible, I would be the perfect choice for command and promotion. It worked, as I was in command twice and was up for more command positions before I left the service.

I took this habit with me. As soon as I became a civilian, I started collecting non-military skills. I went to school and took courses that eventually led to a real estate license, a Series 7 securities license, and an insurance sales license. I also began to read and study about areas I'd never considered before, like sales, management, and finance. I wish I'd known I was going to be a business owner—I could have been cultivating other skills I would eventually need.

My point here isn't to impress you, but to impress upon you how important it is to continually learn. Nearly all of the greatest leaders and achievers I've read about and met made learning a habit. They took courses, went back to school, earned multiple degrees, pursued certifications, hired coaches and consultants, and generally read multiple books a year. They didn't get rich by being lazy.

I came out of the Army with a solid skill set in leadership and management. I thought these were the essentials of running a good business. I was partially right. I didn't know that I also needed sales and marketing skills as well as financial management experience.

Adaptability, perseverance, and resourcefulness—these qualities are all part and parcel of a good entrepreneur. But the premise of this book is that you don't need to have an innovative business to put $1,000,000 in the bank. You can just copy a tried and true business model and execute the plan. With that as our goal, these three skill sets—sales and marketing, financial management, and leadership and management—are the most important ones you need. Yes, there are business-specific skills you'll need (inventory management, for example, if you're going to run a retail store), but you'll need these three, regardless of what business you choose.

SALES AND MARKETING

As I mentioned earlier, you absolutely must be a salesperson. If you can't sell your business idea to others, how will you ever get started? If you can't speak, get someone to speak on your behalf. It could be a business partner, your first employee, a consultant, or even a mentor. Regardless, you must understand the process of sales and how it applies to your business. If you don't, you will always be at the mercy of others. Your investors, if you convince anyone to invest, will take a larger share of your equity. Your

vendors, if you have any, will set forth terms favorable to them. And your employees, if you have any, will exploit your inability to sell and negotiate.

Sales skills aren't enough, of course. Many great salespeople have failed miserably at their business startups because they didn't know how to manage a company. They could bring in the sales but they couldn't deliver the product or service. They say that nothing happens until someone sells something, but if nothing happens after they sell it, you're in the same boat.

Marketing isn't the same thing as sales, but they are complementary. If you can sell, then you should have a good grasp on marketing, too. After all, you're communicating with the same person about the same reasons to buy what you offer. The difference is that they're not standing in front of you. As your company gets bigger, you can go deeper into the nuances of marketing. For right now, though, we're just trying to get you up and running.

FINANCIAL MANAGEMENT

The Army didn't require me to make a profit on how I managed my soldiers. I had a budget and I stayed within it. Consequently, I had to learn my business math skills the hard way: trial and error.

If math scares you, don't worry. You probably don't need to know as much you think. But make no mistake—a business lives and dies by the numbers. If you don't have the cash flow to pay your employees on Friday, don't count on them sticking around for long. If you don't know how to sell your product or service at a profit, you won't be in business for very long. You need to know how much it costs you to deliver your product, what your overhead is (rent, advertising, utilities, etc.), how much you can sell your product for, and how many you need to sell.

In fact, business math is pretty simple. It's just basic addition, subtraction, multiplication, and division. The hard part is the details: keeping track of all

your income and all your expenses, and plugging in the right numbers in the right places.

There are plenty of places to help you get up to speed. There are countless online courses (free or otherwise), night classes, business books, consultants, and—of course—SBDC and SCORE. Also, there is software to help you keep track of it all. QuickBooks is the most widely known.

After you learn the basics, you can hire an accountant to do the heavy lifting for you (if you need; if your business isn't complicated, QuickBooks may be enough). They can take your entries, do your taxes, and prepare your financial statements. It's important for you to realize, though, that you cannot simply outsource your financial management. Even if you have a number cruncher doing the work, you still have to understand the numbers and manage accordingly. They can only tell you what the numbers are. It'll still be up to you to figure out what they mean.

LEADERSHIP AND MANAGEMENT

These two are not the same thing. Some leaders make poor managers, and some capable managers turn out to be incapable leaders. Management is about checking tasks off a list. Leadership is about motivating people.

Since high school, leadership has been my life. First in ROTC, then at West Point, and then for ten years as an officer, I led men and women every day. My leadership has been tested in stressful situations. After leaving the Army, I used my leadership skills to continue to motivate people—I was just working with people who had different goals than before.

If you don't feel you have this skill set yet, here are my two pieces of advice. First, always set the example of what you want to see. Don't try to mislead people. If you're unwilling to step up to the plate, how can you ask someone else to? Second, learn about great leaders. Leadership is less about your age and authority, and more about your judgment and decisions. Learn

how other leaders make decisions and start applying those ideas to your company. Read some biographies or observe how current leaders deal with issues. If you don't have the time or desire to read about other leaders, just always set the example and be fair. Remember, leaders always eat last.

Management is more about controlling your environment, material, and other resources. Most good leaders make good managers. They also make the best followers. A good leader understands that there must be order and a common goal and that egos must be checked at the door.

In the beginning of your business when it's just you and maybe one other person, leadership and management aren't as important. With a company that small, the technical work and basic administration is important. But as your company grows beyond that, these skills become far more critical.

ALWAYS BE LEARNING

Developing these skills will not only make you a successful business owner, but they'll also make you a valuable asset to others—especially other business owners and investors. The more skill you have in managing your business, the more opportunities will come your way to be involved in other ventures.

It all begins with collecting and cultivating your skills. That's where the rubber meets the road. This isn't so much about attitude, being positive, or feeling good. This is about expanding your areas of competence. The more competencies you acquire, the sharper you'll be.

Ultimately, your goal in collecting skills is to prepare you to recognize and take advantage of opportunities that come your way. They will also improve your decision-making abilities and allow you to be more creative. Today's buzzword is "innovation," but anyone in any business can be innovative by seeing a new opportunity and acting on it. The more ideas, experiences, and insights you have floating around in your head, the more

you can make the connections between unrelated ideas. That cross-fertilization is where real creativity happens.

One last skill that did not quite make my critical three is communication. It is important to sales, marketing, and leadership, and it is essential to business success. You can't hide poor speaking skills or bad grammar. You may not even be aware of your bad habits. I suggest joining an organization like Toastmasters International to help your public speaking skills. Dollar for dollar, it's one of the best investments you can make in yourself.

The rest of Part III of this book is devoted to sales and marketing. You can learn financial management from people more qualified than me. You can learn leadership and management as you go forward and grow your company. But you must have a solid grasp of sales and marketing to even get started.

Chapter 13:

What You Need to Know About Sales

You get money from selling something. Therefore, to get a million dollars' worth of money, you need to do a million dollars' worth of selling.

I once interviewed a young lady for an administrative assistant position in my company. I was so impressed by her confidence that I asked if she'd be interested in a sales job. It was like I insulted her family.

"I *hate* sales," she barked. "I'll *never* do sales again in my life."

That's an unfortunate attitude because she would have made a great salesperson. It's also unfortunate that she doesn't realize that *everything* is sales. Plenty of people cringe when they think of being a salesperson. The reality is that you've been selling your entire life. When you were a baby and wanted something, you cried. When your mother didn't come fast enough, your screams went into overdrive. That was your first "hard sell."

When we want something someone else has, we have to either resort to hitting them over the head (not recommended) or persuading them to give it up for some reason. Whether that's getting the clerk to open the doors a few minutes after closing, convincing someone to marry you, or trying to get the best price on a used car—they're all forms of selling. You need to accept that you are either selling or being sold all the time. In every interaction, in every relationship, with every person, someone gets sold. The sooner you accept this fact and cultivate your skills in negotiating and working with others, the more influence you'll come to have. You're not born a salesman. Just like leadership and entrepreneurship, it's a skill that can be learned and improved. Some people are more adept at selling just like some people are

more adept at accounting, but that doesn't mean they can't get better at either.

When we hear that someone's a "born salesman," we usually think about extroverts. These people are naturally outgoing. They like being around people and they thrive on human interaction. I've found that introverts can be just as effective at sales, if not better. Whereas extroverts like to talk, introverts generally like to listen. This is an especially important skill set for complicated, lengthy sales. The more you can understand the customer, the better you can sell them exactly what they want and need.

The problem arises when introverts are taught to sell aggressively. This goes against their natural tendencies, so they usually wind up doing a poor job and hating traditional sales. I imagine the young woman I interviewed went through this type of experience.

Contrast that with this example of an Aussie who's putting $120,000 to $180,000 a year in her pocket after all expenses and taxes, with that number growing each year. A few years back she was out of work and looking for a job. Her brother advised her to stop looking for a job and to instead start her own business. Taking his advice, she started a "little clothing business—nothing fancy," as they described it. They just hoped it would make enough for her to live on and maybe save a little money.

Before she opened the store, though, she asked everyone she knew what of kind of clothes they'd like to see in her store when she opened it up. She kept great notes and, when she got something that they'd be interested in, she emailed them. She began turning a profit from the first month. With the net income from her business, she's just a few years away from pocketing $1,000,000.

This is a great example of sales done right. Because she wasn't aggressive, and because she already knew what her clientele wanted, sales came naturally to her. In fact, she might not have even considered it sales at all.

The bottom line is this: the better at sales you become, the more you'll make and the faster you'll get to your financial and business goals.

LEARNING HOW TO SELL

I thought I was a naturally good salesperson. As a boy, I sold more cookies than anyone else in my troop. I was always a good student, well liked, and I usually got my way if I set my mind to it. But when I thought of sales, I pictured the shady used car salesman, the door-to-door salesman, or the overdressed retail clerks with too much perfume. At some point, I had to get past the stereotypes before I could seriously pursue this skill.

While a lieutenant, I took a part-time job in the evenings selling vacuum cleaners for a couple of months. I was the top salesperson each time, despite having no formal sales training. I was just a rookie winging it, but my excitement and enthusiasm carried me to the top of the sales team. I was likable and I tried hard. That meant tirelessly seeking out new prospects. Unfortunately, I was wearing myself thin. I was going to class during the day at the Infantry Officer Basic Course and selling all night. At some point, I realized I'd have to sacrifice one or the other—I couldn't give 110% to both. I decided to get back to my profession of being an Army officer and quit the vacuum cleaner business.

Fast forward almost a decade. I traded in my uniform for a business suit and began selling for a commercial real estate firm. From there, I was hired to turn around a title insurance company, worked as a business broker, and sold life and health insurance for a couple of years. (Not to mention the other jobs I had in my in-between years.) I had moments of great success, but the sales weren't big ticket items and I had been winging it with mixed success. I couldn't get out of the economic hole I had fallen into.

I had spent years not developing this critical skill because I thought I was a natural and because I didn't want to become the stereotypical salesperson

everyone hated. To make up for lost time, I read every single sales book I could get my hands on.

I'm not exaggerating. I bought every book on salesmanship I could find and filled it with highlighted passages and notes scribbled in the margins. I would put tabs on the particularly important pages. There are plenty of books that helped me, but the one I refer everyone to is Jeffrey Gitomer's *The Sales Bible*. It's a direct, no-nonsense book filled with great, down-to-earth ideas about how to really sell. You can find the 1994 original, but he's since created an updated version, *The Sales Bible: The Ultimate Sales Resource*.

Then I stumbled into a job that *really* taught me how to sell. It could have been any random product or service, but it turned out to be investing in oil wells. The minimum investment was $25,000 per person and went up from there. Convincing someone to part with that much money for something as speculative as oil exploration took a lot more savvy than I had learned selling vacuum cleaners to housewives.

Tom took me under his wing. He was about seventy years old, wore cowboy boots and jeans, and spoke with a thick Texas drawl. He was an "old school" selling machine. He talked often and loud, never listened, and churned out sales like no one else. I respected his results, but I never liked his methods. When it came to clients, he had a high-pressure approach and a short-term mentality. I kept my opinion guarded, my mouth shut, and my eyes open. Tom jump-started my salesmanship. I learned more from him than anyone else about selling, even though I altered many of his tactics.

I felt clients shouldn't have to be pushed to make a decision. With these kinds of investors, I thought solid, long-term relationships would be more beneficial than one-time transactions.

Even then, Tom was a dinosaur. It wasn't too long after I was hired that he was let go. He was one of the last of his kind. But the main thing I kept all

these years from my time with Tom is “E.E.U.A.”: excitement, enthusiasm, urgency, and authority.

Excitement and enthusiasm were what fueled my performance as a vacuum cleaner salesman and most of my other sales positions. If you’re not excited and enthusiastic about what you’re selling, how can you expect your customer to be? I lacked urgency and authority—the gaps Tom helped fill. If you can’t demonstrate your authority, you won’t gain much respect from the customer. On the other hand, if you give them forever to make a decision, they’ll usually take forever.

When I began teaching my own employees the E.E.U.A. model, I added “Sincerity.” I told them to imagine their mother or uncle were on the other end of the phone. If you don’t believe in your product and can’t communicate it in layman’s terms, the customer will feel the disconnection and won’t buy.

After a few years of following this model, I added “Persistence.” I noticed that many salespeople quit too soon. You don’t have to be a high-pressure salesperson to be persistent. It takes most people a long time to warm up to certain ideas or opportunities. Conventional wisdom says a person has to say no six times before they’ll say yes once. I don’t know where that comes from, but I do know that many times a no comes before a yes. Therefore persistence is critical.

With those changes, I now teach “EEUA/SP”: excitement, enthusiasm, urgency, and authority underscored by sincerity and persistence. Even so, I still say the most important are excitement and enthusiasm. They’re highly infectious. People subconsciously like being around passionate, excited people. This isn’t a clownish, immature type of excitement, but a natural, organized infusion of true enthusiasm. It can even be subtle—but it has to be present.

Chapter 14:

What You Need to Know About Marketing

We've just finished a discussion on the importance of selling. However, if you've done your marketing well, the sale can be an effortless conclusion.

If you start the kind of business I advocate in this book, you already know there is a ready market for your product or service. That's a big plus, because plenty of new, edgy, and cool businesses get started without the guarantee that they'll ever have a customer. Some businesses have been years ahead of their time and died early deaths. With a tried and true business, you know there are people out there already buying what you want to sell. All you have to do is reach them.

When planning your marketing, all you need to do in the early stages is copy what your competition is doing. You can tweak it if you see how it could be better or more suited to your particular business, but don't worry about being an original. You might see gaps in their marketing or they may be behind the times. For example, to this day, some businesses still don't have a website. In any case, don't ignore what they've done. You have to assume it works or they wouldn't still be in business. Once things are up and running, you can adjust your approach, but what your competitors are doing is a good starting point.

You can ask other people in the business if they've tried marketing methods that worked or didn't, and why or why not. When you get into your business, you can try testing a few different things to see what works best with your market.

What I'm about to say doesn't contradict what you just read, so hear me out. You'll have to distinguish your product or service. You're going to be in the same business as others who, for all intents and purposes, look just like you. You have to tell your customers how you are different. Everyone says they have quality products, do superior work, and have excellent customer service. (*Everybody* can't be above average.)

Find some way to make your business stand out. It could be your packaging, a connection to a particular cause, a feature others don't offer, or anything else that makes your business special.

One of the nicest entrepreneurs I've had the pleasure to speak with is Arnel McAtee, who stumbled onto this concept by happy accident. Arnel had a problem. Her two daughters, ages four and six, were constantly covered in eczema, were sneezing, and were generally miserable. They woke up, on average, six times a night crying, scratching, and restless.

On the advice of a friend, she put them on an elimination diet to see if food was the problem. It turned out they were primarily allergic to wheat. She switched her entire family to a gluten-free diet.

One thing they missed, though, was bread. After trying all the gluten-free breads available and being disappointed, she decided to bake her own. Every week, she tried different ingredients and methods, soliciting feedback from family and friends, until she hit on the right combination. The result was delicious bread that was soft, tasty, and wholesome.

A friend encouraged her to sell her bread. Arnel said, "I don't know the first thing about business!"

Despite her reluctance, she let her friend drag her to a caterer. The caterer took one bite and fell in love. She got Arnel to bake all her breads for her catering events, plus took her to a few local specialty grocers. The managers at those respective stores took one bite, fell in love, and the orders started pouring in. Then Arnel stopped by the new Whole Foods in Santa Barbara.

Here, too, the manager took one bite and said, “Your product is going in our store.” With that, Arnel’s Originals was launched.

She switched to selling the bread mix instead of the actual bread. She mixed it in the caterer’s commercial kitchen, sorted it into clear plastic baggies, and printed the labels on her home computer.

It didn’t matter. Whole Foods’ customers loved her mixes. Not too long after that, Costco came calling. Today, Arnel has expanded her line to include cake mixes, an all-purpose baking mix, and a pancake and waffle mix. Her products are flying off stores’ shelves.

Gluten-free mixes already existed. While she didn’t realize it, Arnel was going up against multi-million-dollar brands like Betty Crocker. But her product was so unique—and so downright delicious—that it carried her past any other business challenges she might have.

On top of having a better-tasting gluten-free bread mix, Arnel did a great job capturing her customers’ testimonials. Her website features personable, down-to-earth letters and emails she’s received from satisfied customers all over the country. Her marketing also reflects her smart choice to put herself as the face of the company. She’s not shy about telling her story, pointing out the superior ingredients and nature of her products, and generally making your mouth water.

As I said: if you do your marketing right, the sell is natural.

THE CORNERSTONE OF YOUR MARKETING

What should you do to market your business? Everything you possibly can. However, the cornerstone of your marketing is your website.

It is the cheapest way—by a large margin—for you to reach the people you want and for clients and customers to find you. It doesn’t matter if you have a brick-and-mortar store or if you’re a freelance consultant working out

of your bedroom: your website is the foundation for all subsequent marketing.

When you meet someone in an elevator who's interested in your business, you'll give them a card with your web address on it. If you do telemarketing or social media, your website is the place you'll point them to for more information. If they come into your store or use your service, they can go to your website to stay up to date on what you're doing. Your marketing materials and advertisements might list a telephone number, but many customers will still check you out online before ever placing that call.

However, a website in itself isn't magic. It's just a tool. Plenty of businesses have websites that aren't effective at making a sale or even generating a lead, despite spending a ton of money on them. Your web address should be easy to remember—don't make your customers work any harder than necessary to find you. This should go without saying, but I have to say it anyway: your company name and web address must also be relevant to your business. I can't count how many websites I've come across whose owners picked a cute, random name that had absolutely nothing to do with their line of work.

Here's another critical factor in your website (and other marketing, for that matter): it needs a call to action. That is, when a customer finishes reading your site and is interested, what do you want them to do? Call you? Fill out a form? Print out a coupon? Point them to what they should do next.

You should be able to find a web developer who can put together a simple website for a few thousand dollars. I hesitate to specify a range because the costs can vary, but don't get taken by some of those firms that charge $20,000. Unless your business is completely web-based (and if you read the first part of this book, you know that I recommend that your first business is not), then all you really need is a decent website that's current and designed for today's demands (i.e., mobile and social media-friendly).

Get a website up and running as inexpensively as you can. You might not get exactly what you want in the beginning, but you can change it as you go. If you have the time and skills, there are quite a few do-it-yourself sites that don't require any web development experience. With a little internet digging and a willingness to learn, you can find just about every kind of tutorial you need online. Of course, you'll be responsible for the whole thing, from colors to layout, so be ready to invest a lot of time.

"If you build it, they will come" does not apply to websites. You have to generate traffic on your own. That comes from promoting your site, search engine optimization (SEO), creating good content, and finding ways to link other sites and platforms back to your page. But the first step is just to get your site up.

MARKETING WITH WEBSITES, SEO, AND PPC

Regardless of whether you hire a web developer or do it yourself, you need to start gathering ideas and content for your website now. You might find a company that specializes in sites for your industry (i.e., restaurants, construction contractors, professional services), but you need to know what's best practice in your industry. Go to your competitors' sites to see what layout they have and what features and content they included. Then get outside your industry. What other companies serve your customers, too? Do they do something that no one in your industry or area does yet?

I'm old school, so I designed my first website with a pen and a ruler, then gave my sketches to my web developer. I stayed away from bells and whistles, like flash animation and the like. I hate when websites waste my time loading a cute animation on the landing page. A simple site that gets your point across is often all you need.

If you plan to hire a web developer, don't go with the first one you find. Scout around. Ask for referrals from other business owners. Do your

homework. Depending on your business, you probably don't need an edgy website. You just need something that works from a company you can rely on.

I promise you will be surprised by how much the cost of web developers varies. Once you identify a few developers (I chose five), interview them in reverse order of whom you think you'd like to hire. That way, when you get to your last interview, you'll have a solid idea about what you need and how much it should cost.

If you hire a good web developer, they'll listen to your ideas. They may know the technical side, but you know far more about your customers than they do. If they come back with something that looks nothing like your vision, don't be afraid to push them. This is your lifeline to customers—make sure it's done right.

Once you find a web developer, one major slowdown is content. Unless you pay a lot of money, your developer isn't going to write what goes on your page. Your company description, your "about" page, your "contact" page, and your service and product offerings pages all come from you. If you have it ready to go when you hire a web developer, you'll save yourself a ton of time.

Some developers will push their search engine optimization (SEO) services quite hard. These services try to improve the search results for your company when someone Googles certain keywords or phrases. The better your SEO, the higher up on the page you appear. Ideally, you want to be in the first three search results for key terms relevant to your business. Getting there takes time, effort, and strategy. If you're doing everything right, it can still take three to six months before your efforts start paying off. Depending on your industry and skills, it may make sense to hire someone to do this for you.

You'll likely pay $1,000 a month—and up—to have it done right. A big part of companies' motivation in pushing SEO services is that it's where they make the most money. Creating a basic website for you may net them a couple of thousand dollars, but an SEO service could easily run $12,000 to $24,000 a year. It's a revenue stream they'll enjoy for years. And as long as you're getting customers, you'll probably stick with them for fear of messing up what you have. I'm not saying this is necessarily a bad thing. I use an SEO company that I'm quite happy with. All I'm saying is that you need to carefully weigh how much you want to spend, and decide if you need this early in your business (if at all).

Most web developers and SEO service providers will argue that you should do both at the same time. It may be the most efficient approach from their point of view. Your perspective, however, has to be broader. You're going to be wrestling with customers, products, systems, cash flow, and everything else that comes with a new business. If you are new to SEO and other internet marketing topics, you can easily be overwhelmed. Or worse, get taken advantage of. Get your website built first, then think about all the ways to get potential visitors to your site.

Before you pay for SEO, there are plenty of free ways to promote your site on your own. A Facebook business page, a Google+ community, peer websites with links back to your site, blogging content, other social media platforms—there are plenty of free and low-cost methods to raise your SEO profile. Once you get to a certain point, though, you can begin thinking about paying for SEO as well as pay-per-click (PPC) advertising.

Unlike SEO, PPC campaigns show results immediately. These are the paid advertisements you see in the margins of search results and the ads running on other websites. You can bid on the words you think people will use when searching for you. When someone uses one of those words or phrases in their Google search, your ad will appear in the advertising

sections of their search page. If somebody clicks on it, they go to your website and you get charged for their click (hence, "pay-per-click"). With my business, I pay a nominal fee to a company to monitor our campaigns, keep everything up to date, and test different ads and keyword terms.

That's different than SEO. SEO is about creating content such as blog posts and dedicated webpages peppered with keywords and phrases that will show up in the organic portion of people's search results. Those results are what we generally think of when we talk about finding something on Google. Since most people never go past the first search page, it's critical that you get on the first page. If you do it right, it can double or triple your sales. I've seen it work in my own companies.

SEO and PPC are both online arms races, and you will need to stay on top of your SEO and PPC campaign strategies. As you update your ads, your competitors are updating theirs, too. As you post new content, they're writing their next article.

How can you stay on top of your online marketing? It ties back into the broader theme of this section of the book: always be learning.

Being an entrepreneur is hard work, but it's not impossible. You don't have to be smarter than Bill Gates—you just need be smarter than your competitor across town. And most of the time it isn't even really about being smarter—you just need good execution. By constantly learning throughout the year and picking up new skills here and there, you'll naturally have new ideas about how to be a better marketer. Better marketing leads to better sales, and higher sales lead to a bigger business.

PART IV:

GETTING YOURSELF READY TO START A BUSINESS

Chapter 15:

How Your Brain's in the Way

What would you do if you found this ad on eBay: "School bus—old but runs. $350."

If you're like most people, you'd pass right over it. Who wants to buy a school bus? Even if you did give it a second thought, you'd probably doubt how well it ran. For $350, you have to expect that you're getting what you pay for.

But Gabriel Garcia is not your typical person. He's an entrepreneur in every sense of the word, running a business incubator and consulting firm that helps business owners improve their operations. Gabriel's firm, Tech Studios, is based in Houston. When he saw that ad, he immediately smelled an opportunity.

He bought the bus—sight unseen—and then took a Greyhound to Maine so he could ask the drivers to teach him how to operate a bus, and then drove his new purchase all the way back to Texas. During the long ride, he didn't focus on the trail of smoke coming from the exhaust (despite realizing that fixing the muffler would cost more than the bus was worth). No, he was dreaming about the future.

He invested $3,500 to fix it up, then started renting it out as a party bus. He charges $450 per night and rents it out five to eight times per month. That comes out to $2,250 to $3,600 per month. On top of that, he gets referral fees when he's booked solid by giving out the number to other party bus services.

Most people would have called him crazy as they saw him happily driving across the country in an old bus with peeling paint and smoke spewing out the back. Gabriel, on the other hand, thinks everyone else is crazy for not being able to see an opportunity right in front of their face.

The moral of this story is that our preconceived notions often get in the way of real opportunities.

When you start on the road to being a business owner, your mind is the most powerful asset you'll have. The way you train your brain to see problems will determine how much you succeed. It will determine who you hire, what opportunities you see and pursue, what vendors you choose, what investors you discover, what employees you hire, and the thousands of other decisions you'll make over the lifetime of your business.

Not long after I started my oil exploration company, a geologist came to my office to make a presentation about a potential well. He wasn't any good at capturing and holding my attention, and I soon found my mind wandering. I hate to admit that I tuned him out, as I often did with poor presenters. A few minutes into it, something clicked. After listening for a minute, it dawned on me that his proposal was quite possibly the best deal I had ever heard. Despite his poor communication skills, he potentially had a big find. I sat up straight and paid close attention for the rest of the presentation.

My brain was getting in the way of real opportunity. I soon began forcing myself to see past all geologists' presentations and instead to focus intently on the information they presented. Their ability to make a pitch didn't matter if they'd done their work and the data was sound. In fact, one of my very best wells came from seeing past the presentation and realizing the value of the data he was sharing. This sounds elementary, but it's a great example of how we have to consciously train our minds to see things differently instead of falling into old habits.

Most of the time, we're unaware of our bad habits. They're so second nature that we don't even think about them. But how we think affects our decision-making abilities that, in turn, affect everything else. You can go through life without ever being aware of the underlying causes of why you think the way you do. Most people do. Not being aware, though, can cost you a critical opportunity.

Almost all books about accumulating wealth, personal motivation, or the secrets of success are anecdotal. That is, they're based on casual observation. Some books go further and actually address the science of success. The latter are mostly based on psychology as they delve into the inner workings of our brain. They talk about how we are predisposed to certain actions and responses that sometimes undermine our own best interests.

After reading and cross-referencing a number of psychology books, business and otherwise, I've found what I believe are three psychological areas that, if you can better understand them, will help you put $1,000,000 in the bank. They are cognitive biases (discussed in this chapter), willpower and habits (a.k.a. self-discipline), and open-mindedness. All three are important and worth your time and attention.

Could you make $1,000,000 without studying these areas? Sure, and plenty have. But I wonder how many other millionaires there would be if they had learned about them. One missed opportunity or bad decision can have a lasting impact, and even cause you to ultimately fail.

I want to help you get past those hurdles and make sure you wind up winning.

COGNITIVE BIASES

Before being approached as a potential investor, I had always dismissed those paint-your-own-pottery businesses. I assumed they were hobby

businesses that didn't make much money—maybe $30,000 a year at most.

Boy, was I wrong.

This particular company had three locations and was planning on opening twenty more. They had a net profit of more than $100,000 apiece. With some better management and marketing, the owner felt he could push that figure even higher.

The man who presented the investment to me estimated startup costs at about $200,000 per location, but told me that, if push came to shove, they could open a new location for perhaps as little as $75,000.

In case you didn't catch that, let me break it down. A one-time investment of $75,000 can net this guy over $100,000 year after year. The owner told me that if he did nothing else but let his three locations continue as they were, he was less than eight years away from putting $1,000,000 in the bank.

Intrigued, I contacted a similar business in Florida whose owner verified that, yes, she made $150,000 in net profit from her single location every year. In fact, she and her husband had about $600,000 in the bank and expected to break the million-dollar milestone in two to three years. They planned to open two other stores and projected they would reach $2,000,000 in the bank before long. She also shared that her estimated cost to open each of the new locations was $45,000 to $75,000.

Let's go back to the beginning of this: I always assumed these pottery businesses never made much money. I was embarrassingly wrong. These can be real moneymakers. This story is an excellent example of "cognitive bias." Put simply, this is when a bad choice seems like a good decision—or vice versa, like me almost not considering the pottery business.

Scientists disagree about the causes and exactly what cognitive biases look like, but they've done a good job cataloging them. As of this writing, there are over 170 different types. It's impossible to try to memorize these

and apply them in your daily life. However, when you need to make an important decision, keep a checklist handy to make sure you're making the best one possible.

There are twelve that are particularly relevant to business owners, compiled by psychologist Jim Taylor with my short explanations below:

1. *Knee-jerk bias:* making fast and intuitive decisions when slow and deliberate ones are required
2. *Occam's Razor bias:* assuming the most obvious decision is the best one
3. *Silo effect*: using too narrow of an approach in arriving at a decision
4. *Confirmation bias*: focusing only on information that affirms your own beliefs and assumptions
5. *Inertia bias*: thinking, feeling, and acting in ways that are familiar, comfortable, predictable, and controllable
6. *Myopia bias*: seeing and interpreting the world through the narrow lens of your own experiences, baggage, beliefs, and assumptions
7. *Shock-and-awe bias*: believing your intellectual firepower alone is enough to make complex decisions
8. *Overconfidence bias*: excessive confidence in your beliefs, knowledge, and abilities
9. *Optimism bias*: being overly optimistic by overestimating favorable outcomes and underestimating unfavorable ones
10. *Homecoming queen bias*: acting in ways to increase your acceptance and popularity
11. *Force field bias*: thinking, feeling, and acting in ways to reduce a perceived threat, anxiety, or fear
12. *Planning fallacy*: underestimating the time and costs needed to complete a task

Personally, I know I've allowed all of these biases to get in the way at some point or another. To start becoming aware of your own biases, do an exercise where you go through each of the twelve and recall a bad decision you made because of that particular bias. While we can't completely eliminate them, we can mitigate their effects so that we arrive at the best decision possible.

Business owners have to be people of action. We can't draw out and delay every decision. Some are so important or urgent that they require an immediate response. However, I now force myself to avoid rapid judgment on important decisions if at all possible. Even if I'm sure of what I'm going to do, I still make myself wait one or two days. During that time, I'll think of all the different ramifications that the decision will have. More often than not, I'll modify my decision. Sometimes I'll even go an entirely different direction. When I do, I feel like I've dodged a bullet.

Chapter 16:

Using Habits, Willpower, and Self-Discipline to Reach Success

If you don't have good habits, sufficient willpower, and healthy self-discipline, I can guarantee that you'll never put $1,000,000 in the bank on your own.

People have changed their habits and lost weight or stopped smoking, but few people think about changing the habits that keep them from becoming a millionaire. Getting fit can give you more energy and, in theory, lead to better habits in all areas of your life. However, there are plenty of out-of-shape rich people. Being healthy is great, but it does not directly translate into greater wealth.

When you read about habits in terms of personal finance, the authors don't usually refer to true habits. Instead, what they focus on are more like guidelines or procedures. Even the widely read book *The 7 Habits of Highly Effective People* talks about habits in the sense of how to conduct your life. The habits I'm talking about are the instinctual, automatic, everyday actions you do reflexively.

Right now, for better or worse, you have a set of habits. You habitually head to the coffee pot as soon as you get to the office. You put your keys on the key ring as soon as you walk through the door. You reach for your phone as soon as you hear it ring. You probably formed these habits without even realizing what was happening. One day you looked up and found that you had a new habit.

As the examples below show, you can use this to your advantage in business.

Creativity. Your habits can either stimulate it or kill it. Make it a habit to be observant, to continually be aware of what's going on around you, to routinely be curious. Write down the things you observe or unanswered questions you have. Make it a habit to find the solutions to simple problems. The more you train yourself to engage with challenges, the more of a habit problem-solving will be.

Spending and saving. You need to be in the habit of managing your money wisely. If you habitually ignore the voice in your head that says you shouldn't buy something (even if you can afford it), eventually you'll always be an impulse buyer. That can lead to serious money problems, in your personal checking account as well as in your business. Learn to embrace the challenge of doing more with less.

Personal work habits. You should get into a solid, sustainable routine. Professional athletes train all the time, and their body becomes used to a certain routine. Likewise, establish and adhere to a work routine as much as you possibly can.

Customers. You want to create a habit in them so they'll use your product or service automatically. The more loyalty you can instill in them, the more your revenue will be.

Habits can be your best friend or your worst enemy. The trick is figuring out how to use habits to your advantage.

HOW TO CHANGE YOUR HABITS

Habits are formed with a habit loop. It consists of a cue (the trigger for the habit, such as getting in the car), a routine (what we think of as the habit itself, like putting on your seatbelt after getting in the car), and a reward (something that tells our mind that the habit is a good thing, i.e., positive

reinforcement—in the seatbelt example, it could simply be the feeling of safety).

If you have a bad habit, the first thing is to remove all the cues you can. If you have the bad habit of eating super-sized French fries on the way home from work, try taking a slightly different route. That way, you won't pass by the fast food joint that triggers the craving.

Don't try to change a lot of things at once. If you do, you'll get overwhelmed and give up entirely. If, for example, you want to be more productive in the mornings, don't try to create an entirely new morning routine where you jump out of bed early, prepare a fresh green juice smoothie, meditate, run a marathon, and write forty pages in your journal. Pick one or two things at a time to change.

The good news is that studies show that changing just one habit can lead to positive, unintentional changes in a number of other habits. Experts generally agree that it takes from seven to thirty days to form a new habit. Don't expect changing your habits to be easy, but know that you can reap surprising benefits in many aspects of your life from the firm commitment to improve a single important habit or two.

Let me point out one important bad habit in business: facing a fork in the road between the right choice and the one you want to do, and then dismissing your bad choice with a "Well, what the heck…"

When you're on a diet and you accidentally eat half a candy bar before realizing that you're not supposed to, it's easy to say, "What the heck…" and eat the rest of it. If you keep on doing this, then you've defeated the purpose.

The same is true in business. It's easy to waste a little time, realize that you're supposed to be working on something else, then say, "What the heck!" and blow off the rest of the morning or entire day. The internet offers endless distractions and rabbit trails to chase. Doing some research can easily lead to a series of interesting but pointless web searches. Wasting an

hour is no excuse to waste another fifteen minutes. The minute you become aware that you're wasting time, stop.

It is much harder to get $1,000,000 in the bank living a personal and professional life filled with bad habits. You can greatly improve your odds of getting that $1,000,000 if you recognize your bad habits and work on changing them to good ones.

FINDING THE WILL TO WIN

Of course, easier said than done, right?

It takes willpower to start a new habit or stop a bad one. Willpower isn't just about being strong-minded or weak-willed. Far from it. Our willpower wanes throughout our lives and even throughout the day. Low sugar, a traumatic experience, or any number of other factors can directly impact your willpower.

Willpower is like a muscle: if you overtax it, you may not have any left for the next challenge. It isn't a constant; it constantly changes. The good news is that you can easily replenish your willpower. You can toughen it up if you see a challenge approaching, or avoid succumbing to certain situations when you know your reserve is running low.

Here are some of the major factors that can affect your willpower.

Stress. The more stress you have in your life, the less willpower you have.

Glucose. Your willpower can rise and fall with your blood sugar levels. That's why breakfast is the most important meal of the day. Eating the right foods gives your body and mind the fuel necessary to keep running. Don't skip meals, stay away from junk food, and stay hydrated. Yes, these seem simple, but few businesspeople appreciate just how crucial these little details are to their business success. If you're constantly running low on energy, you're constantly running low on willpower. Low glucose levels lead

to slower thinking and less capacity to take on the daily challenges that business inevitably brings.

Exercise. It's the miracle drug. Our bodies need to move. Regular exercise has been shown to result in higher stamina, a healthy appetite, better sleep, higher cognitive reasoning, better circulation, and far stronger willpower.

Fatigue. We have worse judgment when we're tired. If you know you're fatigued, put off making important decisions. This goes for being physically tired as well as mentally tired. If you've just gone through a decision-making marathon, give yourself a mental health day to recover. Take a power nap. Meditate for a few minutes. Making the right decision is better than making the decision right now.

Putting $1,000,000 in the bank comes from having a successful business. Creating a successful business comes from taking the right actions guided by the right decisions. Those are based on good daily habits. And habits are made or remade based on your willpower.

So, it's not much of a stretch to say that if you take care of the little things, more of the big things will take care of themselves.

Chapter 17:

Tracking Your Success

I met Mark while he was visiting one of my employees in the office. After overhearing him say he wanted to start his own business, I invited him into my own office to chat. He was obviously a bright guy, so I asked for his background.

He had flunked out of Texas A&M after four and a half years. While studying electrical engineering, he began wiring houses for friends, which just led to more business. Pretty soon, he was making so much money he just couldn't turn it down. His grades suffered and he flunked out. Depressed with that development, he moved to the Caribbean and started making $60,000 a year as a bartender. After marrying a lovely young woman, they agreed he needed a "real job." He came back to Texas, finished his engineering degree, and landed a job selling engineering services. While the pay was good, he knew he'd never make the kind of money he wanted.

In the course of advising him, one thing I mentioned was keeping a business journal to help him collect his ideas. I also steered him toward SBDC and SCORE.

When I followed up with him a couple of weeks later, I heard the excitement in his voice. He had started collecting business ideas and even began creating a business plan. As he said, putting it on paper somehow made it more real. He now puts every new idea or flash of insight in his journal. The more he writes, the more ideas the journaling sparks.

When you want to lose weight or to be smarter with your money, you need to start tracking what you're doing. You can start a food diary to list

everything that goes in your mouth or create a spreadsheet with your monthly purchases. Why not do the same for your business? Why not create a business journal to keep track of everything that happens?

I'm not suggesting you start a personal diary—that's different. A business journal should be solely dedicated to your business. It should list your beliefs, how you feel employees should be treated, what dreams and ideas you have, what habits and routines you're following, what your sales goals are—everything that relates to your business in any way.

You could use a classic composition notebook from the grocery store (like me) or use a digital one on your tablet. I find that my brain is more engaged when I'm literally writing something than if I'm just typing on a keyboard. I find it easier and quicker to use pen and paper vs. opening a device, finding the right app, waiting it for it to load, making the note, then closing it down and returning the device to wherever it goes. Use whatever works for you.

Your journal should have one purpose: to help you make $1,000,000. Everything in it should move you closer to that goal.

HOW TO USE A BUSINESS JOURNAL

As Mark said, putting it down on paper somehow makes your ideas tangible. As long as they're just floating around in your head, they're not real. Once you write them down in black and white, though, you bring them into reality. And once your ideas are real, you take them more seriously.

Writing also forces you to get clear about what your ideas are. Have you ever had a great idea in your head, but when you tried to explain it to someone, you realized it wasn't that great? The harsh light of reality can quickly sober up your flights of fancy. On the other hand, when you're forced to explain something to someone else, you're forced to learn it better yourself. They say one of the best ways to learn something is to teach it to someone else. Having to write ideas and concepts out in your business

journal forces you to get clear with yourself about what exactly it is you're thinking.

On top of that, it serves as a great way to track yourself. If you never write a goal down, how will you know how long it took you to hit it? Recording your thoughts and experiences provides a way to go back in time to see what you were thinking or what problems keep reoccurring in your business.

But that's not to say that it should contain nothing personal. Quite the contrary—running a business is a transformative personal experience and your business journal will reflect the triumphs and challenges of that journey. For example, you'll be surprised how often you'll get overwhelmed and lose your motivation in your quest. It's easy to lose focus. You tell yourself you're going to do everything you can to earn a lot of money so you can take care of yourself and your loved ones. But life gets in the way. Your favorite TV show debuts a new season, your friends want to come play *Call of Duty*, or your significant other wants to go the movies again. None of these things are necessarily bad, and you don't have to give up your life to get a lot of money. But you do need to keep a healthy focus on the long term.

The number one reason to keep a business journal is to give yourself a constant reminder of what you're working toward. It's a motivational tool to keep your eyes on the goal. In addition to that, it's a great repository for all those interesting ideas that float by during the day. Some people have had million-dollar ideas but forgot them by the next day. Don't trust your memory. Jot it down, even if it's a crazy idea. It may be the seed for something else.

What else should you write? A new contact you met or thoughts on a meeting you had. Something new you learned or something you think you should check into. Observations or challenges you perceive. Some days you

may have only a few fleeting ideas, and some days you might have a deluge of information.

Make it a habit and use it to track your other habits. If you know you waste too much time on social media, be honest with yourself. If you're mentally fatigued, note it. As time goes on, you'll start noticing patterns in how you make decisions and see the progress you're making toward your goals.

This one habit may be the most powerful of all because it tracks everything else. If you'll get into the easy routine of just writing down a few thoughts or notes a day, it could very well be a cornerstone of your future success.

Chapter 18:

Set Goals to Succeed

Do you have a goal?

Of course you do. You want to put $1,000,000 in the bank. Otherwise, why would you be reading this book?

Setting goals is easy. "I want $1,000,000 by January 1st." "I want to own the Dallas Cowboys." Following through with the necessary planning and action is hard. You will need to work through obstacles and modify your plan as you progress. You will need to have the focus, discipline, and long-range perspective to be persistent with so many outside influences trying to derail you. Having $1,000,000 or owning the Dallas Cowboys are great goals, but you have to believe in your heart that you can do it. You don't have to know how or when, but you must really believe it. This is the long-term goal. You must hit smaller and more immediate goals as stepping stones, but your long-term goal needs to be your guiding beacon.

RECOGNIZING TYPES OF GOALS

Your short-term and intermediate goals will change over time as you achieve milestones and adjust your priorities. Your long-term goal may even change as you get closer to achieving it and have better clarity on what you truly want. You may get heavily involved in charity work and decide that instead of, or in addition to, a financial goal, you want to bring medicine or clean water to people in the developing world, or some other noble aim. Alternatively, the change in your long-term goal could just be a significant

upward adjustment. A few years from now you may see a path to greatly exceed $1,000,000 and decide to set a new goal of $10,000,000.

Short-term goals. These are goals you want to achieve today, tomorrow, this week, next week, and generally up to about three months. Short-term goals are the grunt work—the tasks to do before time passes and you can't get that time back. They can help you build momentum toward your other goals (provided, of course, that they're aligned as the stepping stones to your long-term goals). These should be action-oriented. For example: to write the overview of your business plan, make twenty-five sales calls, or save an extra $500 this month.

Intermediate goals. These goals will take a few months to a year to achieve. By their very nature, they must be flexible so you can adapt them to your current reality. They are usually the direct result of you achieving your short-term goals, and can be valuable as a measuring stick to see how well you're doing on your way to your long-range goals.

Long-term goals. These goals will take more than a year to realize. They are usually the big ones, such as having $1,000,000 in the bank.

My first long-term goal was acceptance into West Point. I set that goal in the third grade, almost a decade before it could become a reality. Our teacher assigned us a short paper to write on what we wanted to be when we grew up. My paper began with, "I want to go to West Point and be an Army officer." That paper guided me through my school years, into ROTC, and then straight into West Point.

Your long-term goal is to put $1,000,000 in the bank. That might take you two years. It could take you ten. Set a best-guess estimate of when you think you could accomplish this and then commit to doing whatever it takes to get there. Make a plan, but be flexible. Missing your target date by a year or two is lot better than getting so frustrated that you give up entirely. Regularly update your plan as needed.

By the way, don't make goals at the expense of other important things. Don't become so focused on being a business success that you ignore your health or neglect your family. In fact, it seems that the healthier you are and the more support you have from your family, the easier it is to reach your professional goals.

Enjoy the journey on the way to your goals. As I shared in the beginning of this book, I wasn't born with a silver spoon in my mouth. My mother had to give me to my grandparents to raise. Neither Gram nor Grumpy finished the sixth grade. They both had to leave school early to work and support their families. But they were always encouraging me that I could do anything I wanted and made sure I never wanted for anything, even though money was sparse. They made every penny count. Everything I am, or ever hope to be, I owe to my grandparents setting the foundation when I was young.

To make my own money, I worked in restaurants throughout high school and saved as much as I could. Like every teenager, my goal was to buy my own car. Grumpy and I found it together: a black, twelve-year-old, 1955 Ford Customline V8 272 sitting in a cow pasture in mud up to the side skirts. The owner warned me that it drank as much oil as gas, and it had a rusted out spot in the floorboard the size of St. Louis—but I thought it was perfect.

As Grumpy and I stood watching the old muddy car get pulled out by a chain, he whispered in my ear, "If this thing starts, you got your first car." The owner fiddled with it and then *bang!* With a puff of smoke billowing out of the exhaust pipe, the engine started.

Grumpy worked hard labor his entire life as a truck driver and constantly suffered pain in his legs and back. The pain meant he rarely smiled—but when he did, it was so sincere and special. If I kissed his whiskered cheek I could usually get a good grin. But even without that peck on the cheek I

turned and saw the biggest smile I had ever seen on Grumpy. I was so excited because I knew that smile was for me, and it will stay with me forever.

I reached my goal of buying my own car, but having Grumpy there to share that moment with me meant far more than the car itself. In your own journey to your business goals, remember to enjoy it and share it with others. Getting $1,000,000 in the bank is important, but don't get so focused on it that you miss out on everything else in life.

Chapter 19:

On Your Way to a Million

A few years ago, my wife and I were in our early fifties, running six miles a day, eating a healthy diet, and generally in great shape with no bad habits. Gradually, though, we noticed my wife began to occasionally stumble and sometimes her foot would drag on the carpet. Then she started complaining of a nagging pain she couldn't explain. After a few months, she was stumbling so often we knew something was wrong.

A neurologist and other specialists misdiagnosed her for a year before getting it right. She had Parkinson's disease. Just like that, our lives entirely changed. My wife is a strong woman but now has pain all the time, in addition to weakness, balance problems, and other symptoms—enough to fill a book.

Shortly after her diagnosis, we still would do our six-mile workout, just at a walk instead of a run. One day during our walk, I got a tingling feeling in my arm and jaw. My wife insisted I call the doctor right away. Instead of calling an ambulance like I should have, I made an appointment for the next day. A PET scan revealed I had a 90% blockage in my heart. The doctor wouldn't even let me go home for fear of a heart attack that would probably kill me. I was immediately rolled into surgery. My wife couldn't drive to the hospital because of the Parkinson's, so we had to spend a very lonely and fearful night away from each other.

I'm good as new, though. A stent opened the blockage to 100% normal flow and I drove myself home the next day. They say with my healthy lifestyle and diet, I shouldn't have to worry about a heart attack ever again.

These episodes have shown us just how quickly life can change. None of us have the promise of tomorrow. We may not ever have the opportunity again to do what we take for granted today. Don't put off your dreams and goals.

TAKE ACTION

It's easy to put off getting serious about your dreams.

If you're young, you think you have all the time in the world. If you're middle-aged, you have too many other responsibilities to worry about right now. If you're older, you probably think it's too late.

I understand all the reasons and excuses people offer. But I've spoken to dozens of entrepreneurs from all walks of life and all ages. The biggest obstacle to success may just be getting started. The time will never be right or perfect for you to begin working toward starting a new business. If you focus on everything you need to do, all the tasks you have to accomplish, and all the skills you have to learn, it's easy to be so overwhelmed that you give up before you even begin.

Don't wait until everything's perfect. You'll never be in the right place at the right time. Your ship will never come in—you have to swim out to meet it. The point is to simply start. All it takes is one step to begin to set things in motion.

Do you know what the most popular day to begin a diet is? If you guessed "Monday," you'd be close: it's the second-most popular. The number one day is "tomorrow."

When we're faced with something hard, we procrastinate. In today's modern world, it's easier than ever to fill up our day with meaningless tasks and distractions. There are more sitcoms, reality shows, and police dramas on TV than any one person could ever watch in a lifetime. The internet has a million cat videos and blooper reels to fill your every waking moment.

You don't have to give up watching TV in order to get $1,000,000—but could you at least give up a show or two and devote some time to writing your business plan? Could you spend an extra half-hour reading about your ideal business instead of wasting it on Facebook?

In the beginning, don't worry about getting it right. Just start doing something—anything.

DON'T QUIT YOUR DAY JOB

Let me also caution you about going to the other extreme: getting so fired up about your business that you quit your job so you can go full throttle with your idea.

The smartest and least risky approach is to start your business while still holding down a job, as many of the entrepreneurs in this book have done. It will probably take some time before your business starts making enough money to support you. Do your research and planning in your off hours, and then find a way to transition into your business.

Your transition plan should also include your personal finances. Things will be tight when you start a business, so trim your personal expenses as much as practically possible. Save up more than you think you'll need, for yourself and for the business.

When you start your business, begin in your off time. Evenings and weekends are most common, but if you work shift work, you could work your idea in the middle of the day. As you've seen, more than one entrepreneur has held down a full-time job even while running a full-time business.

In the meantime, be ethical about your current job. Don't steal assets, clients, or any proprietary information from your employer. Give them an honest day's labor for an honest day's wage. Volunteer to learn new skills

and take on different tasks. Use your time wisely to learn as much as you can, while still delivering real value to your employer.

When the time comes, leave on good terms. Meet with your boss face to face and tell them that you're giving them your two-week notice (or whatever's customary for your position). Offer to help plan the transition and perhaps even to train your replacement. The bottom line is to be courteous and professional.

Don't burn your bridges—you never know who might help you in the future.

DON'T FORGET THE GOLDEN RULE

The Golden Rule is named that for a reason—it's golden advice.

As you journey toward $1,000,000, help others along the way. For example, I serve on the board of directors of Justice For Children, a nonprofit that saves abused children. I'm not on the board to meet potential investors or to be recognized. I serve because I feel that, if any good's going to be done in the world, each of us has to step up and do something, no matter how big or small each of our contributions are.

This book is also an effort to help others. I didn't write it to attract potential clients or investors to my businesses. I wrote it to help people like you see just how achievable it is to become financially independent. So many people have helped me and supported me over the years and I am grateful for the opportunity to give something back.

In your journey to your business goals, there are two groups of people we should absolutely discuss here: your spouse, and then your friends and family.

I've been blessed to always have my wife's support. Even when the car was repossessed, when we had to leave our Christmas tree in our old rental house, and when we only had $20 to our name—she was there. She believed

in me, loved me, and created a wonderful life for my son and me. I know not everyone has such an understanding and supportive spouse. Plenty of people have told me how their husband or wife killed their dream or stifled their ambitions. If this is the case for you, I have no sweeping advice that solves all your problems. Maybe your spouse values financial security above other considerations. Maybe you have a track record of starting projects that you never finish. Maybe there are other issues that overshadow starting a business.

My advice is to love them, honor their wishes, respect their ideas, remain faithful to your life together, and do what's best for the both of you. You may need to work through your own personal or relationship issues before you're fully ready to proceed with your business. Maybe doing detailed research and planning will demonstrate how sound your idea is. Whatever the solution, I encourage you to explore all possibilities before just giving up and resigning yourself to your fate. Your dreams and personal fulfillment matter, too.

Your other major influence is your close friends and family members. These people can make or break your journey to $1,000,000. If you're listening to the right people, you're going to get sound advice and sincere encouragement. I advise you to get close to people who are smart, ambitious, ethical, and successful. The more time you spend with these types of influences, the more successful you'll become.

SET YOUR SIGHTS HIGH

No matter what your situation or station, you can become the person you envision. You can be the white knight of your family.

To become your best, I think it's important to find some higher purpose, to work toward something bigger than yourself. For me, the big picture includes God, having high moral standards, and living a life that positively

impacts others. It's caring for my family and putting their needs above my own. It's taking pride in having served my country. I don't know what your higher purpose is, but you should try to find and connect with it. Let it motivate and guide you as you set your goals and work toward them.

Don't let your challenges stop you from doing something great. Maybe you have a spouse, two kids, nice cars, a mortgage, and private school tuition to pay for. Maybe you don't have a high school education or marketable job skills. Maybe you're a housewife who's never held a job outside the home. Maybe you have a physical disability. Whoever and wherever you are, you can put $1,000,000 in the bank. I've personally spoken to too many millionaires to believe that anything can truly prevent you from achieving this.

With an ordinary business, you can put $1,000,000 in the bank in three to seven years. Don't wait. Take your first step today.

Recommended Reading

They say "leaders are readers" and they couldn't possibly be more right.

Whatever your business aspirations, you'll never be able to grow beyond where you are right now unless you have some help. Getting in-person mentoring from SBDC, SCORE, and others is great. But mentors can't possibly teach you everything you need to know.

Books let you sit down one on one with some of the greatest business leaders ever. They'll point you down avenues you never even imagined. They'll inspire you, encourage you, inform you, and help you reach your full potential.

I've collected some of the best books I've read. There are plenty of other excellent books, but this is a good list to get you started.

ON SALES

Sales is maybe the most critical element of business. If you have every other skill, but can't sell anything, then you're out of business and on the street. There's simply no way around it.

Fortunately, sales isn't nearly as hard as you think. People say they don't like sales. What they really mean is that they don't like sales *the way they think they have to do it*.

There are plenty of easy, natural, and effortless ways to sell to your customers. But you won't know how to do it unless someone shows you. Read these good books to see how to make sales work for you.

To Sell is Human by Daniel H. Pink

This is not your traditional sales book full of techniques to run out and use. The author shows how everyone is a salesman. The sooner you accept this, the better for you. He discusses how the internet has turned the tables on

salespeople. Buyers are much more informed and this impacts how we sell. The new business owner needs to understand how to sell his target market.

The Sales Bible: The Ultimate Sales Resource by Jeff Gitomer

This is a solid sales book with many, many practical sales techniques that you could try the day after you read about them. My philosophy on sales books has always been that if you just get one good technique or piece of advice that makes you one sale, that alone probably paid for the book. Plus, if it worked once, then you have another sales tool to put in your took kit for the long term.

ON MARKETING

With demographics, technology, and business trends constantly evolving, you need to stay on top of how to best reach your customers. These books below are some of the best foundational reads you'll find.

The Best of Guerilla Marketing by Jay Conrad Levinson and Jeannie Levinson

The iconic *Guerilla Marketing* books have had the best of their practical marketing advice pulled together in this one book. (There are many *Guerilla Marketing* books, so also grab the ones that you feel apply directly to you.) I recommend this book because of its great exposure to the many different ways to market. If you implement even 10% of what you read, you'll be far ahead of the game.

Duct Tape Marketing by John Jantsch

Some reviewers don't feel there's a lot of new information in this small business guide, but there is certainly a lot of useful information. The author tells us his Marketing Hourglass steps: "Know, Like, Trust, Try, Buy,

Repeat, and Refer." This is a good overview of how we should approach a business relationship.

Free by Chris Anderson

The title says it all: it explores the power of "free" in business. With the cost of internet bandwidth, digital storage, and computer processing power constantly getting cheaper, the effective cost gets close to zero for most digital services. Zero means it could be free and "free" is a strong selling tool for anyone. The trick is how to make money with other products or services related to the free one. This book has many stories and examples of how entrepreneurs have used free to build a big following and then monetized that into big profits. This is not a business model to overlook.

Web Marketing All-In-One For Dummies by John Arnold, et al.

This book covers a lot of ground by combining eight internet marketing books in one. Whatever your business, you can't ignore internet marketing.

ON NEGOTIATION

There's no way around the need to negotiate in business. With employees, with suppliers, with investors, with customers—the list is endless. If you're already in business, you know that these discussions can earn (or cost) you thousands upon thousands of dollars. It's in your best interest to be ready for them.

Getting to Yes: Negotiating Agreement Without Giving In by Roger Fisher, et al.

First released in 1981, this book has stood the test of time, and even been revised and re-released. It tells you how to negotiate to a win-win, over and over. It's been used in college courses for years to teach negotiation. This is a must-read to improve your skills and understanding of negotiating.

Influence: Science and Practice by Robert B. Cialdini

This very readable social psychology book is one of my all-time favorites. It will open your eyes to how we interact with and are influenced by others in all kinds of situations. Cialdini believes influence is more of a science than an art and gives powerful anecdotes and evidence to support his position. Whether art or science, understanding how influence works, and gaining and using it effectively, is critical to success in our professional and personal lives.

ON PROBLEM SOLVING AND CREATIVITY

Even with a tried and true business, you're going to encounter new challenges. How can you prepare yourself to conquer them? By getting into the habit of thinking creatively. Below are some entrepreneurship-related creativity resources.

Accidental Genius by Mark Levy

If you've ever heard about "stream of consciousness" writing, this book shows you how to do the business version of it. Levy's techniques will help you solve your own business problems by writing about them. With this approach you can access the problem-solving areas of your brain to give you a completely new perspective on the same situation. I listened to the audiobook four times plus read the hardcopy—it was that good.

A Whack on the Side of the Head: How You Can Be More Creative by Roger von Oech

This book is full of exercises to stretch your creativity. It was first published in 1983 and identifies ten blocks that limit creative thinking: The Right Answer, That's Not Logical, Follow the Rules, Be Practical, Play Is Frivolous, That's Not My Area, Avoid Ambiguity, Don't Be Foolish, To Err Is Wrong, I'm Not Creative.

Each of these limits is discussed and, more importantly, how to unlock them to overcome your creative barriers. This book should help generate and nourish new ideas. This is a classic that has not lost its magic at all.

Borrowing Brilliance by David Kord Murray

Murray points out that there are no original ideas and discusses where business ideas come from. Everything is built on others' ideas. The book discusses defining, borrowing, combining, incubating, judging, and enhancing ideas, offering many examples and techniques to build on others' ideas to find your next great one. As we discussed here in *One Million in the Bank*, you don't need to think of a new or original idea for a business to make $1,000,000. However, knowing the process of how ideas develop can help you as you build your business.

99% Inspiration and *Idea Stormers* by Bryan W. Mattimore

Mattimore's first book, *99% Inspiration*, is all about brainstorming and will introduce you to techniques you've never heard of before. With his newest book, *Idea Stormers*, you can expect to pick up more good ideas, techniques, and tips to stretch your creativity.

ON PERSONAL DEVELOPMENT AND DECISION-MAKING

I find personal development books based on science more convincing than those based on the authors' personal experiences. The resources below present real science, compelling evidence, and great insights into how our minds and bodies work. The better you understand your makeup, the better equipped you are to get the most out of yourself and your life.

Change Anything by Kerry Patterson, et al.

Change Anything is an insightful and practical guide to making permanent personal changes. The first part presents four science-based strategies for making lasting changes. The second part covers the six sources of influence and ways to apply them for personal change. The last part discusses some common scenarios as examples.

Mindset: The New Psychology of Success by Carol S. Dweck, Ph.D.

Dweck offers case studies and analyses of how your brain can keep you from succeeding. She includes a lengthy discussion on being aware of a rigid mindset and how it can hold you back. The information she shares could impact not only how you approach your business, but how you approach all areas of your life.

The Willpower Instinct by Kelly McGonigal, Ph.D.

Recently there have been a number of good books published about making changes in your life and willpower. This book, based on McGonigal's course "The Science of Willpower" at Stanford, is one of the best. It explains the science of self-control and how it can be used to improve our health, happiness, and productivity. Though from my description it may seem similar to the other books I mention here, *Willpower Instinct* offers new stories and different techniques on how best to harness your own willpower.

Wait: The Art and Science of Delay by Frank Partnoy

This book is a counterpoint to advice you often hear to make decisions quickly. Partnoy sets forth the benefits of taking as long as you can to make a decision, based on research and supported by a number of compelling examples. If you're like me, you'll find ways to apply his advice and findings in your life right away.

ON PEER-TO-PEER LENDING AND BORROWING

Peer-to-peer lending sites are becoming a significant alternative way to access capital. It would benefit many people to understand how they can take advantage of them.

The Lending Club Story by Peter Renton

The book gives a short history of Lending Club, a peer-to-peer lending company, and then goes on to describe how it can work for you. It tells you what you need to get a peer-to-peer loan, and also covers how to invest as a lender, including what to expect and what to look out for.

ON PERSONAL FINANCE

Having a business worth $1,000,000 isn't the same as having the cash in your bank account. While my book focuses on generating the money, you also need to learn how to manage it. If you spend everything you make, you'll never have $1,000,000 in the bank.

Early Extreme Retirement by Jacob Lund Fisker

There are other more conventional personal finance books and resources that you should consult, but I want to highlight this book for the different perspective it will give you on your personal finances. The book is about a lifestyle change, where you learn to live on much less. Many of the book's ideas are presented in Chapter 8 of *One Million in the Bank*, an original chapter that Fisker contributed to this book. I don't endorse Fisker's approach for everyone, but do feel that his thoughtful assessment of how to reduce expenses in your life, at least in the short term, is valuable.

BUYING A BUSINESS

As you read earlier, I'm a strong proponent of starting your own business from scratch. However, if you're going to buy a business—or buy into a business franchise—you need to be as prepared as possible.

Become a Franchise Owner by Joel Libava

There are a number of books on buying a business, but if you are thinking of buying a franchise, this is a must-read. Libava makes the point that franchises aren't for everyone. This, despite the fact that he's been in franchises his whole life. I appreciate that he is careful to make sure you understand everything that is involved in the research, buying, and running of a franchise. He presents an objective discussion about whether you should try to be a franchise owner based on your personality.

About the Author

Entrepreneur-investor Michael L. F. Slavin is president of U.S. Emerald Energy, an oil and gas exploration company. While his current ventures have brought him personal and financial success, that wasn't always the case.

The seven years prior to founding U.S. Emerald in 1992 were Mike's "in-between" years: in-between jobs, in-between businesses, in-between homes, in-between broke and just over broke. During this time, he held various positions as a headhunter, an insurance salesman, a self-employed mergers and acquisitions consultant, and the CEO of a title company.

Before going into the private sector, Mike served for ten years in the U.S. Army, first as an infantry officer and then as an aviation officer. He commanded two aviation units, served as an aide to the President of the United States during a state visit, and flew scouting missions over the Korean DMZ.

Today, Mike is passionate about giving back to his community. He serves on the board of the charity Justice for Children and writes and speaks about entrepreneurship to a variety of audiences.

Mike was raised by his grandparents in St. Joseph, Missouri. They taught him about hard work, thrift, sacrifice, and love. He achieved his childhood dream of entering West Point, graduating with an engineering degree in 1975. He later earned a master's in management from Troy State University.

Mike lives in Houston with Won, his wife of over thirty years.

Acknowledgments

I am very grateful to the love of my life, Won, for supporting me as I worked on this book for many more hours than I told her it would take.

I am also grateful to my son Nick, whose generous help made the book far better, and to Jacob Lund Fisker, who graciously contributed a chapter. I would also like to thank Joy Montgomery, James R. Boy, Kiril Logvinoff, and others who provided feedback on early drafts of the book.

To the entrepreneurs who shared their stories with me, I am overwhelmed by the spirit of your generosity. You all sincerely wanted others to know that they can start a business and find success, and that the tools to do so are right in front of them. The American Dream is still alive and well. I can't offer a big enough thank you for sharing your life stories with me.

More One Million in the Bank Resources

Besides this book and my supplemental ebook guides for specific groups, I provide a number of other stories, resources, and discussion topics in the *One Million in the Bank* blog and online community. Also, some of the stories that are abbreviated in the book are available in expanded versions on the website.

As this book goes to print, I have two supplemental guides available, one for veterans and the other for women. Each has original case studies, plus resources specifically for their demographic. Even if you're not a veteran or woman, I encourage you to read them. The case studies and advice are nearly universal and the success stories are inspiring.

Whether you're just thinking about starting a business or already have a multi-million-dollar enterprise—in all of the online and in-print resources, I promise you'll find great ideas from the entrepreneurs I've interviewed, from your fellow members online, and from business thought leaders we discuss.

I look forward to seeing you there.

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