Becoming a Founder Without Putting Your Finances at Risk Transcript

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The Illusion of Job Security

Welcome to the Startup Physicians [music] podcast where we explore how doctors lead healthcare innovation. Please like and follow our show to join our community of physicians [music] contributing to meaningful change.

Fear [music] of economic uncertainty is what stops physicians from becoming founders. I've been there and I've walked through it. Being a founder isn't for everyone. But if it's pulling at you and fear is what's blocking you, there is a pathway that doesn't put your finances at risk. You just need to know the pathway and the details of how to build the plan. Welcome to Startup Physicians. I'm your host, Dr. Allison Kerman, and we are going to dive into the illusion of security of a W2 job and how that can sometimes cost founders the chance to follow their vision. So, I want to challenge the word guaranteed. I see a lot of people who feel trapped in their current working situation and people who might want to start a company or startup, but they just couldn't. They say there's no way that they could start a company. They don't have the money.

They can't quit their job. They can't do this. and they flat out don't have a capital strategy for how they would initiate a new concept or or really get something off the ground. I have left multiple W2 jobs in my career and I have built companies and and walked away from that security and I talk physician founders through exactly this every day. Most of the fear about taking a leap is fear of something that isn't there. So, let me show you what I mean. Here's what I want to walk you through. First, we're going to talk about all the ways you can make money because you have more levers than you think. And then I want to walk through the personal financial model because before you build a business plan, you need to know your own numbers. These are real important decisions to make. You can't just not feed your family. So, you want to take risk, but take risk responsibly. and only once you've really verified how you're going to pull it off. And then we talk about the business model of your actual concept. This is something that a lot of people actually don't know how to do is building out a financial model and making sure that you model in what your compensation is going to be and your capital strategy and then how to derisk the whole thing on paper before you ever make a jump. And by the end of this, I want you to see something clearly. the leap that most people are afraid of.

Most of the time it's not a huge leap. It's just a stepbystep process where you do math and you find opportunities and you take the next step. It's it's one step forward at a time. Um and very few people are just jumping off a cliff. So a big mindset shift for me happened when I decided that I absolutely believe I have unlimited ways to make money. That doesn't mean that I'm like completely loaded. I don't want you to think that. It means that when I started to look at leaving my job at multiple times in my career, I did a lot of assessment first.

So, I did an assessment of how much money I actually needed. As a doctor, you really have so many opportunities to make money. And it may not be as much out the gate of as your W2 job. and you may be essentially making an investment of your time and your energy for a for a lower rate in the beginning to build something bigger. So the opportunities you have you could do locoms, you could have a PRN job, you could do telealth, urgent care, expert witness work. When I was building my most recent business, I did take a locoms role at a really great children's hospital. I actually had a lot of fun doing it, but I would fly there and work four shifts a month. And that four shifts because of the situation of the hospital and the amount they were paying, it basically was similar to what my full-time income had been. And then I had the other 26 days a month to build what I was working towards. So, the new business development, the the business that wasn't making any money yet, I was able to buy myself a runway of how I could fund my time and and maintain the things that I needed to cover in life to be able to invest in the next business model. And the difference between creating a business model and just doing shift work is I can't 10x my income doing shift work. I don't have 10x the amount of time But if you actually give yourself some time to build a b a scalable business model, you can absolutely 10x or more scale the revenue from that business model.

Understanding Personal Finances

So you have to be able to find those measures of how you can create space for yourself to to really pull these

levers. And it's really very uh what the options are. So, another example is that when I move, many of you know I moved from St. Louis to Nashville to work at a firm and um I wasn't ready to give up clinical practice and I actually stayed on staff in the ER in St. Louis. And that's another lever for me personally, financially is that I can still go back and pick up ER shifts there. I'm I'm a PRN and not a locom. So, it's not at a really high locoms rate, but they're not going to get rid of me. I go and pick up weekends. I visit my mom. I bring my kids and it's just another lever. It's it's a lower hourly rate than the locom's work, but it was flexible and I kind of dial it up when I want to visit family and make more income and dial it down when I don't. And it serves another purpose for me, too, which is to stay clinical and stay credentialed and stay practicing and seeing seeing patients.

So, those are just a couple of examples. you really have a lot of these options and you're not focused on them because you've been focused on what am I going to do if I don't have my job? What about benefits and what about insurance and how am I going to make ends meet? I I need that security of a paycheck all the time. And I I get that. I I completely get that. I've been through this thought exercise before. But I mean, even things like benefits, like all of this is math.

Like it's really all math. You can buy insurance. I there's actually a doctor who I had on my podcast who started a company to get group rates on health insurance for physicians. So there are options and so that's really the income side. You can create pathways to kind of bring together different opportunities for income if you really want to take a different life path and and get out of the W2 space. Um that's the income side. But before you look at that, you actually have to also look at your expenses. I definitely went through this when I was leaving a very high paid administrative position. Um, it was a lot higher than what I could generally have made in my specialty. I was in a leadership role and it was well compensated and I walked away from it. I was really unhappy in that role and with the work. It was not aligned with my interests or my passions and I did have something I wanted to invest my time in even though it didn't have a clear path to revenue yet. Um, and it was a very personal decision. My husband and I before you don't just quit your job. You have to do calculations and really see what am I walking towards and how could I build this and make it work. So, we we did a deep dive on our finances. We took all our financial data and put it into a personal financial model. And I like to really look and say like what if what if we reset everything? What if we cancelled the gym membership and maybe the kids don't do summer camps this year? in what if I did that or that or that. And recognize that when you're building a personal or a business financial model, everything is just an assumption. So all the assumptions you make about the expenses you have to have versus the ones you don't. And so I really build like three budgets. Now when I do this for either personal or business, I really try and get down to the bare bones um expenses. are the line items that I really am committed already for mortgage or utilities or groceries and then uh the medium budget.

So if you um were to kind of add in like something to make it a little bit more comfortable but still kind of watching things and then what you would consider like a more comfortable budget. look at that on a um kind of a monthly and an annual basis and it gives you like a really clear understanding of, you know, what what do I need to make and and are these other income streams or these levers of of ways that I could start making money outside of my W2 job, could that start to cover my core expenses? Um, and it makes it a lot less stressful when you're like, well, I don't necessarily have to replace my whole income if I want to make a change. I just need to cover my core expenses. I certainly see some cases of people talking online of people who are like six or seven figures in debt from school loans and high cost of living and they're paying really high costs for every piece of their life and the math just like doesn't add up and they're sinking. And that's what happens when you're not really doing the math where you got to a certain salary and it came to a with a lifestyle creep and now you have mortgage and private school and cars and debt. And I'm not saying you need to move into a shoe box, but um there there are like pretty drastic life resets that people could do for a couple of years and get back on track. And I am most certainly not like a personal finance guru and I'm not really meaning to go into finance so much, but it is something that I see holding people back from building something that like, oh well, I couldn't quit my job. Well, that's that's not exactly true. Nobody just quits their job and says, well, I wonder what I'm going to do next. You actually do a lot of planning on paper. So, understanding your personal expenses, understanding personal, you know, ways to make money. if you were to reduce your W2 job or or leave it. Um, and and what you can build either on the side or if you want to actually like completely dive in.

Building a Business Financial Model

And so I run the three income bands as well as like here's the worst case, a moderate, and a stretch. Like if I only had these core income streams, the ones I'm confident will be there, what would I be making? That's the floor. Um, and then if you want to increase your assumptions, if you were to add in, you know, speaking gigs or expert witness work or more locom shifts, you can map them against each other and say, "This is what I could get through. This is a plan of how I could get through the next, you know, 6 8 12 months." That was really building like a personal financial model. And then on the other side, you build your business financial model. So if you're building a startup, you can build a financial model before you spend any money. You do this on paper without investing in the business yet and you want to start pressure testing all the variables. So um and and you can look at different capital pathways. What would happen if I raised money? What would happen if I used my own money? What would happen if I built a revenue stream early that could start to support me?

Um, and then how do you actually build founder compensation into the model? You're not going to go build this business without taking a salary at some point. So, it really has to be in the model. In general, I don't map income to myself in planning a new business until that business has like 6 to 12 months of operating expenses and then I pay myself because I am self-funding my businesses, not raising money. But if you're raising money, you have a different ramp. But the discipline is the same. So the founder comp can be put in the model from day one and you can kind of have a projection of when you would start being able to take a compensation from your concept. And all of this planning you can do without spending any money. This is just your brain, your ideas, and your time. But you can't skip the math. And I want to flag something about this wall.

You're um still a W2. did a lot of planning, networking, and modeling while I was still working on my W2 job. I think you should definitely check your employment agreement cuz some employers claim that anything you make while you're employed by them, they can have a stake in it. But what you can do while you're still a full-time W2, you can network, you can ideulate, you can build a model, you can create a vision, you can think and plan and brainstorm, and you can do all of that without spending any money on your business while you're still employed. And what comes out of this modeling is a plan that tells you what I'm calling like the gates. So the things that you do not pass go until they get unlocked. So in our incubator program the first gate is we have um you know creating an MVP of a product plus a financial model and once you can improve the the unit economics work that unlocks the next gate which is going into more the business development marketing messaging and pre-selling. And the great thing about being a solo founder these days is that you actually in these early stages really don't have to hire contractors. You don't have to spend much money. AI has opened up so much for solo founders. So even things like, you know, you can make your own logo. It might not be the most beautiful thing in the world, but it'll be something to get you started. You can have a marketing plan. You can have um all your core product that you can build again as a solo entrepreneur with the right tools. Um which is one of the things that I work with founders to to develop. And then you can actually get to the point where you can pre-ell your product. And this is before launching, like before you've even raised money or quit your job. You can create the model, the plan, the messaging, pre-ell it, and and then determine based on your capital pathways of either early revenue stream or raising money, which it's way easier to raise money when you've pre-sold it. then you can have a plan that you're easing into. So it's not like I'm going to quit my job, stop making any money whatsoever, think about things and figure out what the path forward is. No, you you have a very clear plan and you have an understanding of if I could find a pathway to start making this amount of compensation by this month, then I could dial this down and my backup plan is I'm going to make sure I get um credentialed with a couple of clinical sites so that I can add that in. Um so, going back to pre-selling, I think that um a lot of founders think, how could I possibly sell something that doesn't exist yet?

It might sound insane, but it's really not. You can pre-ell a model if it's solid. And this is what most companies are doing when they have derisked their concept. So, you can get like a letter of intent from a desired customer that basically says, "As soon as this is ready, we're going to buy it." Um, pretty insane. Like, why would someone do that? But it's all related to the business development and the way you are building your model and finding those aligned incentives.

Pre-Selling and Funding Strategies

Our first startup, we closed a nine figure contract before we had a single employee. And so I'm telling you that because I want you to know it's possible and we will that that's what we focus on a lot in in the incubator program. This is how venture builders work. We build a model. We derisk it. We pre-ell it. We figure out what the unit

economics are and then you fund it and the funding pathways are much more broad and wide open when you have that sort of a foundation. Once you have the evidence, you have real options on the capital. You can self-fund. So I have self-funded most of my recent businesses. You can partner with someone who has capital and operations and give them equity. You can raise an angel round or venture funding. And most of the time people that work in venture have done this hundreds of times. None of these is the right answer for everyone, but they're real options on a menu. And so my vision is to help physicians see the light that when they have a vision of a clinical model or something that could make life better for their patients, that you do not have to walk away from your job that instant and and jump off a cliff and be like, "Oh, I hope this works out." you can actually create an exit strategy from your core job into this entrepreneurial world with real consideration for your personal finances and for the business finances. And and you can actually this is a replicable process. And the funny thing is the reason why most founders who successfully scale a company then go on to build a bunch more companies is because it's a formula. And so most people never get to these options because they haven't done this before. And I I think that that's one of my visions with working with physicians is how I can bring this sort of model and idea and and pathway to doctors with really good ideas. I think patients need us to be innovative and to be leading the way with health tech. So I really want to bring this all back together. I know sometimes we feel that just putting your head down and staying at a W2 job even if it's um you know not aligned with your passion or what you want to do might feel a lot less risky but I just wanted to walk through why that's a little bit backwards. Um it you know you can take calculated risk, you can take really wellplanned risk. I don't take risks that are really uneven or or unlikely to result in in safety for me and my family. I plan things really carefully and then I am able to visualize it so clearly like oh well these four things have to happen for this next thing to open up and and that would be a decision point to quit the job or cut back or something like that. um you have more income levers than you think. A and a lot of us who are over on the entrepreneurial side will have like a number of different income streams um because it's diversified and in some ways that's actually probably better than just relying on one W2 job. And every one of these is a lever you can dial up or down. More levers, more diversification, and that actually can be less risk. And then your personal financial model is your foundation of understanding what's sort of the bare bones of what you need to get by for you and your family. What's like the medium or the comfortable zone. Those are three different expense bands. And then you want to map your potential income bands. And then you can kind of understand exactly what you can weather. Your business model that you're going to build has your founder compensation built in from day one with the different scenarios whether you self-fund partner angel venture and it's really a menu.

You derisk all of this on paper. So that's what I really like to emphasize is that it doesn't really cost a lot of capital to be planning pre-ell before you go investing and building this million-doll product. You want to make sure someone's going to buy it. and you don't pass go until the math works.

So, if you've mapped all your levers, if you have a diversified plan, it's so much less risky because honestly, even with your one W2 job, it's that's just one source of income. So, if you can actually learn this skill of how to manage your personal and your business finances to create what you want to create, it's actually like doesn't feel like that big of a leap. I mean, I have a lot of levers that I use for locoms work, PRN work. I do expert witness stuff, speaking. I have my educational programs. I know personally which of my expenses are required and which ones are kind of optional. And I'm pretty loose about what I consider optional. A lot of things in my life that I feel like I could just cancel tomorrow and it'd be fine. So, the more you know about your personal numbers, both sides, the less that the leap looks like a leap. And the math doesn't really feel like it maths when you haven't done it. It just feels like this big black hole of like scary stuff like not having a paycheck. But you can make the math work if you know the strategies. It does not have to be a massive risk. There are ways to engineer it. I even think about like previous podcast guests that I've had who didn't even mean to start a company.

Creating a Pathway to Entrepreneurship

They kind of like started it as a side thing that they were just building a tool for their own practice and then it started to get some momentum and interest and then they started to build a business model around it. Like there are ways that people I've seen start to build something that you know they were able to start to see a revenue stream coming out of this idea and they waited until that materialized to turn down their FTE. You build your personal model, you build your business model, and then you map your levers and you find your gates. Like, don't pass go until the math works. So, that's what we do in the incubator. Um, that's what I did when I left my multiple W2 jobs that I left to do something else and to build on my own. In most of those cases, I uh never had to go without a salary um

because it was all planned. And you don't have to either. So, if you want to learn more about this, if you have an idea of something that you would like to build, but it's always been holding you back because it feels just completely out of reach. I I hear people say that um with, you know, sometimes commenting on things that I say like, "Oh, really wish I could do that, but I'm just not in a position that I could do that." Well, you're not because you haven't planned it. Yeah. And you don't have the road map. So, if you want to take this further, um, I would suggest you download our initial founder resource guide. The link is in the show notes and it's at startupf physicians.com/resources. It's the most direct thing you can do with what we covered today. So, we don't cover personal finances in that road map, but it will give you a good idea of like what does it take to become a founder and how much of that could you do while you're still working. We are often very tied to our beliefs about what our lives have to be. Um, some of these are through conditioning, some of these are um because of fear.

But the more we can untether ourselves from some of these beliefs, the more we just create this very open opportunity to um to really create the life that we want. So, for those of you who are interested in becoming founders, I highly recommend you download the guide. Do your exercise with mapping out the the opportunities for both where your expenses and income are right now.

Um, and kind of what I call the minimum viable product. Like you want to just really understand what would it take for me to be able to like break free from this more traditional environment. So, I know that I have had a very non-traditional career. Other people have found that interesting, and I wanted to share a little bit about my insight on how you too can look for different ways to to make your income while you're creating [music] the health care system of the future. So, thanks for joining me.

Overcoming Fear in Entrepreneurship

Thanks for listening to the Startup Physicians podcast. [music] This community was built for doctors who want to contribute to the future of healthcare. [music] We offer support for physicians who are ready to make the next step towards building the career they've [music] dreamed of. Visit startupphysicians.com to learn more. And if this episode resonated with you, [music] share it with another friend who needs to hear it. Let's change the future of healthcare together.