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4 financial lessons from successful entrepreneurs

By [Matt Alderton](#)

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Successful entrepreneurs possess a creativity and tenacity that make them ideal financial role models.

Although half of new businesses collapse within their first five years, according to the U.S. Small Business Administration, that doesn't mean their founders fizzle.

In fact, many of the world's great entrepreneurs failed before they succeeded. Thomas Edison, for instance, tried to invent the light bulb more than 10,000 times before he finally saw the light. KFC founder Colonel Sanders had his fried chicken recipe rejected more than 1,000 times before a restaurant agreed to sell it. Even Henry Ford started two automotive companies that crashed before he established Ford Motor Co.

"Entrepreneurs are good financial role models because they've typically experienced failure," says small-business adviser Ashley Harris, founder and principal of Houston-based Behind the Numbers Financial Consulting. "Not only that, but they know how to bounce back. That resiliency is helpful in business, but it also can apply to your personal finances."

Indeed, an entrepreneurial mindset could be the key to achieving your financial goals. Whether you're struggling with too much debt or not enough savings, overspending or underinvesting, these four tips will help you turn your wallet from a struggling startup into a thriving enterprise:

1. Sacrifice for your goals

In 2010, entrepreneur Lori Cheek left a high-paying job in architecture to start her own business: a mobile dating service called Cheek'd, which sells real and virtual ice-breaking cards that singles can pass out to strangers with whom they want to flirt. Because she'd spent her savings to get the business off the ground, she ran out of money shortly thereafter. The story doesn't end there, however.

"After finishing off my savings ... I made nearly \$75,000 that went straight back into my business by selling my designer clothes at consignment shops and on eBay, doing focus groups, secret shopping and by selling my electronics and other odds and ends around my apartment on Craigslist," Cheek says. "The biggest chunk of cash came from renting out my West Village studio in New York City on AirBnB while I couch surfed for 14 months."

Making it work for you: You should approach your financial goals with the same determination, according to Cheek, whose strategies could be used not only to fund a business, but also to fund a savings account or reduce a credit card balance.

"I often refer to my business as my child," she continues. "Once I started my business, I stopped shopping. I stopped getting massages. I started doing my hair myself. I don't get manicures or pedicures anymore. It's not about me anymore. If I make \$100, it goes right into my business. Everything I do is to keep my dream alive."

2. Mind your money

Entrepreneurs rarely succeed without passion and persistence. To survive, however, they also need cash.

"For successful small businesses, cash is king. You can be profitable, yet have very poor cash flow," explains entrepreneur Tiffany Wright, author of "The Funding is Out There! Access the Cash You Need to Impact Your Business."

"I plan out my cash flows 12 weeks in advance. If I see that I'll have a large outflow in a given week, I'll make adjustments in other weeks to ensure I have the cash or I'll use our credit cards or line of credit. But I make sure that I can pay these down within one to two months. In addition, I plan out capital expenditures one to two years in advance. That way, I can explore ways to fund those expenditures in advance, such as a lease, term loan or one or more investors."

It's simple: A business can *make* money, but its doors will still close if it doesn't *have* money. Successful business owners understand this and engage in careful planning to ensure they have the money they need, when they need it.

Making it work for you: "People can use this same planning and discipline to manage their personal finances," Wright says. "Treat those major vacations and large purchases like capital expenditures. Know your personal inflows and outflows and timing, and only use your credit cards to cover the gaps."

3. Diversify

Business owner Matt Theriault spent 14 years in the music industry, selling compact discs to distributors. When digital music made CDs obsolete, however, he went from making seven figures a year as a music executive to making \$7 an hour bagging groceries. When he decided to start his own business, Epic Real Estate, he vowed to never put all his eggs in one basket again.

"I sold CDs, and I had one distributor that sold them. When that distributor went out of business, I had nothing to fall back on," explains Theriault. "So, inside my real estate business, I'm diversified in multiple markets across the country, in the types of properties I have, and in the teams of people who manage those properties ... Now, if one thing disappears, I still have something else."

Making it work for you: Your money should be just as diversified. "Most nonbusiness owners have one or two sources of income: their own and that of their spouse, if they're married," Wright says. "To generate cash from other sources, you can invest in real estate, invest in bonds, invest in stocks that pay dividends, freelance, have a part-time job. The point is to reduce your reliance on your paycheck through multiple methods so you don't experience a massive shock if you lose that paycheck."

4. Seek support

Although starting a business can be lonely, those who succeed don't do it alone.

"When I started my business, I latched onto people I identified as role models: people who had what I wanted to have, and who were doing what I wanted to do," says Theriault, who sought advice from experts over lunch, by email and sometimes just by reading their books. "I jumped from mentor to mentor and modeled their behavior to get similar results."

Making it work for you: Adds Harris: "When things become too much and they're feeling overwhelmed, most business owners tend to seek external help, which can include a consultant, adviser or accountant that will lead them in the right direction. The same should go for your personal finances. If you feel like it's becoming too much to handle ... seek a financial or money coach or accountability partner to get you back on track."

You don't have to be Steve Jobs or Mark Zuckerberg. But if you use the same strategies to manage your money that they used to grow their businesses, you might feel just as successful.

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