

EPISODE 852

“MA: Our Inc. 5,000 CEO’s, we surveyed them in last summer and 42% of them use less than \$5,000 to start their first business. That’s not that much and that’s possible to either scrape together via savings or not to quit your full time job.”

[INTRODUCTION]

[0:00:56.0]

FT: Thinking of starting a business? Wondering how much money you’ll need? Well, our guest today says it’s not as much as you might think. Welcome back to So Money, everybody. I’m your host, Farnoosh Torabi. Our guest today is Maria Aspan. She’s an award winning business journalist and editor at large at Inc. Magazine where she writes about personal finance, startups, technology, finance, and gender.

Before working at Inc., Maria covered business and finance for the New York Times, American banker, where she was the national editor and coverage of the 2008 financial crisis and its aftermath, which she says was a turning point in her career. She’s here to tell us about her new book, *Startup Money Made Easy*. It is *The Inc. Guide to Every Financial Question About Starting, Running, and Growing Your Business*.

The book focuses on a lot of the commonly held beliefs that people have about raising capital to start their dream business and she debunks some of these mindsets. She also uses her years of experience, research, and conversations with successful CEO’s to demystify the startup money process for entrepreneurs to be. Plus, Maria dives into her own money and career journey as she climbed the ranks of the news business. Today, an editor at top publications.

Here we go, here is Maria Aspan.

[INTERVIEW]

[0:02:18.1]

FT: Maria Aspan, welcome to So Money.

[0:02:20.8]

MA: Thank you, Farnoosh. It's so exciting to be here.

[0:02:23.3]

FT: I love connecting with fellow journalists. I can't believe our paths haven't crossed yet, given that you work in the business and finance space as a writer and as an editor, an award winning journalist. I'm really grateful to connect with you and of course, you have a new book, which is getting a lot of attention and personally, I need to read this book because as people who have been following me here know, I'm launching a financial popup in April and it's this big undertaking, in a lot of ways, financial undertaking for sure.

Your book is called *Startup Money Made Easy*.

[0:03:03.8]

MA: It is, first of all, I have to say I'm so excited to be talking with you. Because I've admired your work for a really long time and I want to hear about your experience like after your – you know, I'd love to know if this book is useful at all to you. Because it is very much a compilation of my five years of overseeing the money coverage at Inc. and talking to so many different entrepreneurs.

Startup Money Made Easy is maybe a little bit of a misnomer. The idea is that, of course, it's never easy to solve a money problem. But we try to go through, I tried to go through the most common ones and at least break them down so that you have a starting point for all of them.

[0:03:50.0]

FT: Such a need right now as I know in interviewing so many entrepreneurs and myself now, taking on a new project that really the financial puzzle piece is the make or break piece. If you don't have the money, a lot of times ideas die and it would be really great to have a resource like this book, and now we have it, to be able to give us the behind the scenes and really the truth about funding a business at the startup level. Often, the headlines as you know, are obsessed with these like, "Oh, this company got raised, this VC," right?

[0:04:26.8]

MA: Right. Like, "Soft bank, just bestowed another hundred million dollars on this firm for like dog treat deliveries in Silicon Valley," or whatever.

[0:04:37.9]

FT: Right, right. I think that's an unfair illustration of like the reality of how startups get off the ground. First off all, I don't even think that's really a — for me, I would never want to take on that much VC, you know? Regardless of how big my idea is, I think that you see so many failures in the business world because they took on more than they could chew from venture capital and it's not this thing that we should just celebrate. I think there's a lot of concern if you're taking on a hundred million dollars or \$15 million dollars and you're only like a year into your business development in your business plan, that's a lot of responsibility.

But back to your book, I mean, you're really trying to make this accessible and what was it about — Maybe we should start here: what was it about the fund raising process and the financing process that you felt was mystifying or there was sort of this gap in knowledge that you wanted to fill?

[0:05:37.7]

MA: Right. Well, it's a really good question. I mean, I think there were several and the book kind of goes from start to finish. So from the very — it assumes that you're starting from the very beginning and you want to figure out just even how much money you need to raise, to start your business through the process of bootstrapping to all of the different ways, places you could look

for money, people you could ask for money. Whether that's family and friends to banks and online lenders and credit card companies. Then it does go through the VC and maybe more traditional fund raising process. But, you know, with the knowledge that that's really only applicable for a very small percentage of all founders and all small business owners.

Inc. regularly, every year, we put out a list of the 5,000 fastest growing private companies in America and we survey the CEO's of those companies and last year, only 3% of our survey respondents said that they used venture capital to start their business. 43% used savings, that was far and away the biggest way that most of these founders got started and then credit card loans and loans from friends and family were the next biggest percentages.

[0:06:59.2]

FT: Yes, so it's not sexy to say that I saved my money, right? I had just met an entrepreneur the other day, in fact, she was on this podcast, Cate Luzio, who is the founder of Luminary, a woman who maybe be worth profiling her in any forthcoming stories. She was a Wall Streeter who saved all her bonuses, which again is not like a headline, right?

We always like to write about like how Wall Street over spends and you know, fuels the New York City economy with their bonuses. She was just parking it in savings didn't know what it was really going to amount to, necessarily. But then, once she got the aha moment to start her own business, which is now Luminary, this great work space meeting place for professional women in New York, she knew she could do it on her own terms, on her own timeline with her own money. That is such freedom.

[0:07:57.2]

MA: It's funny because I've talked to a lot of founders and frankly, especially a lot of women who fund their businesses that way. A couple of years ago I profiled a woman named Therese Tucker who is the founder and CEO of this — It's this business that sounds totally unsexy. It's accounting software but she started it, she was a computer programmer, she was working for — she worked for a long time for other companies. She saved her bonuses, she cashed out her options, she cashed out her retirement account and started her company in the early 2000s and

in 2016, she took it public and now she's one of the only women to take a tech company public and still run it. It's worth – on the market, it's got a market cap of around \$2.5 billion dollars right now and that is not Lyft, it's not Uber, it's not Airbnb but she just kind of put her nose to the grindstone and saved and eventually built something that she controlled and owned.

[0:09:08.3]

FT: Would you say that part of the reason why more women are building companies by, with their own funds is because frankly, the venture capitalists don't give us the money? So out of necessity, right? We had to kind of turn to other resources and I think in the end, it's benefitted us in some ways.

[0:09:25.1]

MA: Absolutely. I mean, what were the latest figures? Like women founders get 2.2%.

[0:09:31.4]

FT: Yeah.

[0:09:32.8]

MA: If you're a woman of color, especially an African American woman, forget it.

[0:09:36.4]

FT: By the way, the fastest growing group of entrepreneurs in this country and most underfunded by venture capital. Anyway.

[0:09:43.3]

MA: Yeah, I mean, there are so many problems with the venture capital system. This is not necessarily to entirely bash venture capital. I mean, there are businesses and founders for

whom it makes sense. I do think one bright spot about the most recent numbers or percentages for women is that the women aren't getting more of the venture capital dollars but the overall pie is growing. So at least we're getting a greater number of venture capital dollars, just not at greater percentage. So small steps, I guess.

[0:10:17.7]

FT: Small steps. Speaking of, a lot of my listeners are in that small step stage where they're just trying to get an idea, breathing life into an idea that they have and perhaps it is that they go through friends and family, a small bank loan. I've heard of people like just maxing out their credit cards, not advising it! But as you were reporting for this book, what are some of the go to for resources and more specifically, the ones that you recommend?

[0:10:45.2]

MA: Right, that's a good distinction because we do talk to a lot of founders who fund their businesses by maxing out their credit cards or cashing out their retirement accounts. We don't necessarily recommend that, but we recognize that that's how a lot of people do start their businesses. I would say that first of all, there's good news and that the cost of starting a business has just come down tremendously and of course, it depends what kind of business you want to start. If you want to do something that's manufacturing based or high tech and requires a lot of engineers, of course you're going to need more startup capital than if you're launching a consulting business or something where you can make the product by yourself.

But, that Inc. 5,000, or I should say, about 10 years ago, there was one survey that said the average business took, needed about \$31,000 to get off the ground. Our Inc. 5,000 CEO's, we surveyed them in last summer and 42% of them used less than \$5,000 to start their first business. So, that's not that much and that's something that is possible to either scrape together via savings or not to quit your full time job and start. So you can start your business with your – by putting aside some of your salary and then test it out before you take the plunge into full time entrepreneurship.

[0:12:18.1]

FT: Did these entrepreneurs, or rather CEO's, talk about what they did with that startup money? Because what does \$5,000 buy you?

[0:12:26.7]

MA: That's a good question. It probably buys you a domain name for your website, it may buy you some paid ads on Facebook or Google or Instagram. It buys you a lot of tech products that are part of the reason why it's easier to start a business these days and cheaper because if you can setup a website and pay for a couple of social media accounts, again, depending on what the raw materials are, you at least have the means of directly marketing and selling your business. You don't necessarily have to — maybe it buys you a desk in a co-working space. But you don't necessarily have to go out and rent an office, hire sales people, hire cashiers or, you know, other people to work in your physical location.

[0:13:22.8]

FT: Right. I think we can thank the Internet for bringing down a lot of the costs of starting a business.

Okay, so what does this all teach you? Are you going to start a business now? Now that you know it just costs about five grand? What's your side hustle going?

[0:13:38.4]

MA: I mean, I'm a writer so I feel like.

[0:13:41.5]

FT: You're always hustling, it's just a multilevel side hustle.

[0:13:45.5]

MA: Yes. You know, I'm always trying to promote my stories on Twitter and Instagram and I write a weekly newsletter and I maintain a website that is probably overdue to be updated. I don't right now have any particular ambitions to start my own business but I feel like it should be – it's kind of like writing a book, you know? It's a ton of work, as you know. So you should wait until you feel very passionately about the project.

I felt passionately about this book, it was, I'm very proud of it, it was a grind and a lot of summer weekends that I gave up to finish. But I'm very happy to have done that and I wouldn't want to take on the same work load for a business until I felt really passionately about it.

[0:14:36.6]

FT: What made you passionate about the field of finance, technology as a writer, and now as an editor at large at Inc.? You also have a weekly newsletter called Lady Business, which is about the intersections of gender, business, and culture. You're an author. What drew you to, maybe first, writing and specifically business writing?

[0:14:59.5]

MA: So I would say, a little bit of luck and a little bit of intent. I lucked into a job or an internship rather after I graduated college where I always knew I wanted to be a writer but I didn't think it was possible to get paid to do that and I was super shy in high school so reporting didn't really occur as something that I would be good at. But I got an internship as a reporter and realize that I really enjoyed it and that I could be paid to write for a living.

Finance, similarly, I would say was I took a job covering banking right in March of 2008, right before – right as the financial crisis was getting started and I spent the next several years covering just the consequences of the crisis and the fallout and how badly consumers were hurt by both things that the banks and financial companies had deliberately done and by just a failure, I would say a failure of attention both from big companies and from consumers who maybe took out credit cards that they couldn't afford to pay for, took out mortgages they couldn't afford to pay for.

One of the things that I try to do at Inc. as we oversee, as we talk to entrepreneurs and provide advice for entrepreneurs and one of the things that I very much wanted to do with this book was be responsible and sober minded about the risks that our entailed for entrepreneurs. I mean, as I say in the book, about half of businesses fail within five years and almost 70% within the first 10. So, starting a business can be wonderful and exciting and it's certainly extremely popular in popular culture these days. But it's like any other financial risk you take or any other bet. It's likely that you're going to lose all of the money that you put into it.

So I very much wanted to write a guide that would not be overly booster-ish and that would recognize some of the dangers of doing a startup and just try to give advice for how to go about making financial decisions in the responsible way so that you're not spending money you can't afford to lose.

[0:17:29.9]

FT: What is the biggest mistake — what is the biggest financial mistake that entrepreneurs make? Is it that they over extend themselves, they take on too much debt or VC, venture capital? Or they just make really bad — they focus on wrong things, they invest in the wrong things, things in the beginning, that should come later in the timeline?

[0:17:52.8]

MA: I think all of the above. I think that VC is — it's not something that a lot of entrepreneurs deal with, as we discussed. I think a lot of people find the wrong partners, whether it's cofounders or investors, we talked to a lot of entrepreneurs who either take money from the wrong people or who started a business with the wrong people and when things get difficult, realize that they couldn't rely on their partner to have their back or they and their partner didn't see things the same way.

Then in general, I would say just underestimating how important cash flow is to your business is one of the biggest mistakes that we see entrepreneurs make. It just — it's always one of the biggest problems that small business owners say that they have, according to federal reserve data and one of the things that I advise in the book is if once you get serious about starting the

business, sit down and write a business plan and spend some time wrestling with your numbers even though they will most likely be very theoretical at that point. If you can't sit down and try to make your numbers make sense and provide a document to any banks that you might want to go for loans or any friends and family who you might want to ask for money let alone any investors down the line, then if you are not willing to do that work upfront then you probably shouldn't be starting a business.

[0:19:24.3]

FT: Yes, and if you're not a numbers person, which most people I think are not numbers people, entrepreneurs aren't necessarily all MBAs in finance, right?

[0:19:36.3]

MA: Absolutely now.

[0:19:37.3]

FT: I think that is also another hesitation or road block is that, "You know, well I don't really speak numbers and although maybe I know what my rent and my monthly cash flow is going to be," but projections and those kinds of things can be quite scary to people. So do you think that it is worth to invest in someone who can do that for you?

[0:19:59.5]

MA: I do, if you can afford it and frankly, if you don't feel like you're a numbers person and you are not able to make yourself become one or if you don't understand the business enough to figure out your business plan on your own, I think there is nothing wrong with paying for financial advice and in fact, there are several times in the book where I say, "You know, obviously this is a general guide."

Every single business is going to be different, every single entrepreneur is going to be different. So please make sure that you're consulting lawyers and financial advisors and accountants who

you can go to with these specifics of your business and your financial situation. I do think however, that if you can't afford to pay for financial advice and you can't figure out your own numbers then maybe you should take a step back before starting your business and think about if this is really something you can afford to risk your money as well as your time on.

[0:21:02.1]

FT: I love stories where they're like, "I didn't know how to do a P&L but I just took a Udemy class and figured it out." Or, "I went to Investopedia and I figured it out," you know? I mean, it is not rocket science. It is not second nature and sometimes numbers evoke a lot of anxiety because maybe you weren't the best person in math or I was definitely — I did terribly in accounting. But there are so many hard things. This should not be the hardest thing, you know?

[0:21:33.0]

MA: Right and as you pointed out earlier, I mean, there's so much — technology has made things so much easier. There is so much information out there. Whether it's Investopedia or Legal Zoom, you know, that if it is a super complex decision you made want more professional help but there are a lot of resources out there these days for just a baseline check if you don't understand your numbers.

[0:21:59.9]

FT: Let's transition a little bit now to some personal financial perspectives. You can't get off this show without giving us some nuggets of your personal financial life. So would love to ask a little bit about maybe your childhood and how that shaped your mindset on all things money?

[0:22:19.5]

MA: Absolutely. I would say, I grew up in a privilege and well-educated but low income household. My parents were both teachers and my dad was, when I was born and for the first few years of my life, my dad was finishing up his Ph.D and taking some early teaching jobs. My mother's a music teacher. Those are not the most well-paid professions in the country. So I

grew up with a lot of spaghetti dinners and my mom made grocery money by teaching piano lessons to our neighbors and friends' kids and it was cash economy.

They're in a much better financial situation now. I have a New York Magazine editor job, I had a pretty good financial situation, knock wood. I also work in media so that is always precarious but I do think growing up seeing my parents maybe work paycheck to paycheck to get groceries on the table, it made me very much appreciate saving, putting money away for rainy days and also my dad came from a family, his father was a factory worker. His mother was one of the early computer programmers and they weren't wealthy but they knew how to spend money on fun things and on things that made each other happy. So whether it was fancy meals out to celebrate a big event or a fun family vacation, I think I grew up in a family where we didn't always have money but when we had money we knew how to splurge responsibly.

[0:24:21.5]

FT: And now as an adult, do you feel like you've taken on a lot of that modeling in your own life and what would you say is your greatest financial success to date?

[0:24:31.9]

MA: That's a good question. My greatest financial success was, or the thing that I at least felt the most personal satisfaction about, was I went to George Town, I took on some loans to do so and my family took out some loans to do so. I had some financial aid, some grants and some scholarships but in my late 20s I was at a job that was – I took a job that was significant step up in salary and included overtime payment.

So all of a sudden I had more cash coming in on a regular basis than I was expecting, than I never had before and I just socked that all away and started paying of my loans as quickly as I could and getting rid of my student debt by the time I was 30 or 31 was my proudest financial moment, I would say.

[0:25:30.2]

FT: That's huge. That's really commendable, especially when you hear about people who are still in their 40s and 50s who are paying off undergraduate student loan debt or sometimes like law student debt. Yeah, and it is not even about like the interest rate because sometimes the interest rate on your student loans is not that significant, but I can relate. When I got my first book deal I just immediately cut a check to Sally Mae and I just was like, I like the idea, it is like mentally clearing for me to know that I don't have this weight and this thing on my plate called student loan debt, even though the interest rate was 2% or something. But I just — for me, it felt like I become an adult at that point.

[0:26:18.5]

MA: Yes and just not having to worry about the monthly payment and now, whenever I have a good month where I get a bonus like being able to — having more freedom to decide what I want to do with that. I still tend towards the, "Let me put that away and save for a rainy day." But I just booked a vacation to Morocco and I am thoroughly looking forward to spending that money.

[0:26:45.5]

FT: Nice. You have had and still have some really big important jobs in journalism in New York. Someone who is coming up through the ranks and maybe just finished school and you're like the North Star. I want that job in New York Mag and I want that job at Inc. and I want to be an author and I want to contribute to the New York Times and this is your life, Maria Aspan.

What would you tell your younger self? What do you think you have done really well and right in your career climb that maybe you didn't learn in school that wasn't mentored to you, but you figured it out?

[0:27:21.1]

MA: That is a really good question. First of all, thank you. You know you don't always feel like inside of your career that you necessarily —

[0:27:28.4]

FT: You're a big deal. I am going to tell you that. You heard it from me if no one else, Maria.

[0:27:33.4]

MA: Well, thank you. I am blushing here. I will say one thing that I've always tried to go by with my career is to take jobs where I will learn and be challenged even if they are not necessarily the most obvious jobs for prestige reasons. I was very lucky, one of my first jobs in journalism was as an assistant at the New York Times and that was amazing and I got to learn from and work with so many wonderful, tremendously accomplished journalists.

I was there for a few years and I was freelancing for the business section and contributing regularly to the newspaper, but I was also told repeatedly that generally news assistants weren't promoted to reporters and that if I wanted to be a full time reporter, I would have to leave the paper. That I was welcome to continue being a news assistant for as long as I wanted to be and at a certain point I realized that it was an amazing job and I got to say that I worked for the New York Times, but I also was not learning as much as I would be as a full time reporter with a regular beat and so I went into a newspaper that most people outside of finance haven't heard of called American Banker and I wound up covering banking, a topic I had never studied and you know that did not necessarily look like the sexiest reporting assignment.

I wound up there in March 2008 at the beginning of the financial crisis and it was the best thing that could have happened for my career because I learned how to be a financial reporter on a very important business story and just got to learn the ropes at a place with a ton of really good, really smart journalists very dedicated to a niche that they knew a ton about and I think that helped me tremendously in my career.

[0:29:39.3]

FT: American Banker is a really great place to, like you said, just to build up your journalism chops and I believe my first editor at Money Magazine, Bob Safian, was there in his early tenure and talked about it in a similar way where he felt like that is just where he got really good at reporting and had to get really creative as a journalist and as a reporter, as an investigative

reporter sometimes, because this is an industry where it is very – Information is locked up. Like it is really hard to get information details outside of press releases. So it is no coincidence then that you started there because I feel like I've met now a couple of people. A few people who have started there, in some ways. It wasn't your start but experience that newsroom and then went on to do even more incredible things.

[0:30:35.4]

MA: It's funny, I feel like it is this secret sorority or fraternity of journalists. I run into a lot of people who have gotten through American Banker and you know I was incredibly lucky to spend some time there.

[0:30:50.1]

FT: It's the New Year, still kind of, I think we can technically say happy New Year without people looking at us oddly. What is your New Year's money resolution? This is a question that I am asking guest as part of my partnership with Chase, who is a sponsor of the podcast and we're just really curious to know, what is your money resolution?

[0:31:15.4]

MA: So I don't know if it is a goals that I am going to achieve this year but my money resolution is to put aside more money for an eventual down payment. I do live in New York City. I like living in New York City, for most things, except for the price of real estate. So I don't know if buying a place in New York City will ever really be within my means as a full time journalist, but I think saving for it is something that I am actively trying to do right now.

[0:31:50.8]

FT: It is a good year. I think we are talking a lot more about this being a real buyer's market for the first time in a long time, which never happens in New York. At least it doesn't come often this opportunity.

[0:32:07.1]

MA: And I feel like such a – I feel kind of like a vulture. You know many of the friends I have, I'm in my mid-30's and many of the friends who are my age who own a property were able to buy it in 2009-2010 after the economy tanked and I don't want to wish for another down turn but I do feel like the only time that I am more likely to be able to afford to buy something if the economy does turn down. On the other hand, I may not have a job as a journalist anymore so.

[0:32:43.0]

FT: Right, so there's that. But now that we can anticipate the recession, whereas the last one we had, it just kind of snuck up on us in some ways depending on where you're – I don't know some people claim they saw it coming and I am like, "Okay", you are one of five people who saw that coming.

[0:32:59.8]

MA: Right, hindsight is 20-20 always.

[0:33:03.2]

FT: Yes but now that we may be anticipating it just because it's been such a bull run that hopefully people are doing the good work of saving and anticipation of that and keeping more cash on hand for the reasons that you have talked about. You know starting a business maybe because you don't have a job now or buying real estate because the market's tanked. We are going to wrap here with some So Money fill in the blanks.

[0:33:26.3]

MA: Oh okay.

[0:33:27.5]

FT: Yeah, we do have some fun on this show and so I'm going to –

[0:33:31.8]

MA: This has been a lot of fun.

[0:33:32.5]

FT: Yeah, I am joking. This has been really – a real treat to hear your perspectives on so many things but this is really easy, don't over think it, first thing that comes to mind, fill in the blank.

Okay, if I won the lottery tomorrow, let's say you won \$500 million dollars, the first thing I would do is _____.

[0:33:53.5]

MA: Buy a fabulous vacation/retirement home for my parents.

[0:34:00.3]

FT: Nice, oh that's so sweet. I love hearing when people want to take care of mom and dad. That's always a good reminder to us all to take care of our families.

When I was growing up, the one thing I wish I had learned about money is _____.

[0:34:16.3]

MA: How interest works and how credit cards work. I didn't really learn that until I was reporting on credit cards.

[0:34:27.6]

FT: Does anybody? I feel like nobody knows that stuff when they're supposed to. It's always a hard lesson.

[0:34:34.7]

MA: Honestly, the same for just investing. Like who's taught that?

[0:34:40.8]

FT: Not women. I don't know? Yeah we kind of get – they skip that lesson in school and at home and it's definitely the number one concern and question that comes through this podcast is women asking me about their 401(k) and Roth IRA and where to put their money and how to invest and I think the men have just as many questions but they're not asking.

[0:35:08.2]

MA: Right so the content.

[0:35:10.4]

FT: Because no one really knows all the answers.

Okay, when I splurge, I like to spend my money on _____.

[0:35:18.0]

MA: So the last splurge that I made that I was just so excited about was I bought a \$500 upgrade to business class coming back from a business trip to Dubai. It was the best \$500 I have ever spent.

[0:35:36.2]

FT: Oh yeah, especially since you are travelling thousands of miles. I mean, if it was just a puddle jumper or something from North Carolina, I'd be like, "That was a waste of money." But that actually is definitely worth its weight in gold.

[0:35:50.4]

MA: Absolutely.

[0:35:52.3]

FT: All right and last but not the least, I am Maria Aspan, I am So Money because _____.

[0:35:58.0]

MA: I am So Money because I have a job that I really love that pays me pretty well and that allows me to talk to lots of really fascinating people.

[0:36:13.6]

FT: It's very cool. Thank you so much for coming on the show, Maria. It was nice to finally connect with you and congrats on *Startup Money Made Easy*, available everywhere.

[0:36:23.2]

MA: Farnoosh, thank you so much.

[END]