

## WHY BEING ALL-IN ON YOUR BUSINESS IS YOUR BIGGEST FINANCIAL RISK

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**Any startup founder will tell you that the early years of building a business are defined by financial uncertainty. Cash flow is inconsistent. Revenue doubles one year, halves the next: that's just life in the startup trenches. You run lean, you hoard cash, and you survive on adrenaline. Your business is your baby, and every spare penny must be reinvested to fuel its growth.**

As an entrepreneur myself and having observed several friends and family members build businesses from scratch, I've seen this cautionary mindset repeated countless times. It makes perfect sense during the high-stakes, all-or-nothing genesis phase. But as the business matures, as profits stabilise, and as real wealth is created, this scarcity-driven mindset should change – yet it almost never does.

Too often entrepreneurs that are now making a healthy profit have been rendered overly cautious by these earlier experiences of financial uncertainty, and continue to put everything back into the business, leaving them with little outside of it.

### THE “ONE STOCK” PORTFOLIO TRAP

Where investments do exist outside of the business, these are often highly concentrated and high risk. Limited time to engage with proper financial planners leads entrepreneurs to build portfolios themselves and these are often highly concentrated and typically in sectors they are familiar with. Ironically, their business represents a “one stock” portfolio and building another concentrated portfolio only amplifies their financial risk.

While they may be comfortable taking business risks, they often overlook fundamental principles of long-term personal financial success, such as diversification and discipline. This can result in volatile and inefficient portfolios that do not align with their long-term goals.

The risk exposure rarely stops with the founder. Too often, the entire family unit is financially tethered to the business, creating a single point of failure. The founder's spouse may work directly in the company, or their own career has been indefinitely shelved to support the demanding, unpredictable schedule of the entrepreneur. When 100% of the family's income, net worth, and security hinges on a single Profit & Loss statement, you haven't built resilience; you have built a fundamental vulnerability. There is no plan B. This is not just a financial concern; it compromises your entire family's future security.

## STRESS, NEGOTIATION AND AN UNCERTAIN EARN-OUT

This lack of financial resilience comes to a devastating head when the long-awaited business sale finally materialises. Because virtually all their net worth is tied up in the deal, the negotiation becomes intensely stressful and emotionally charged.

A founder who has a diversified, seven-figure portfolio outside the business can afford to walk away from a bad deal or hold a strong line on valuation. A founder with no financial reserve cannot. This lack of financial security is immediately apparent to savvy acquirers, and it strips the founder of their greatest asset in a negotiation: the power to say no.

The pressure doesn't ease once the deal is signed; it intensifies. Post-sale, the founder enters the dreaded "earn-out" period, often lasting up to three years. They are now working for their buyer, tasked with meeting highly ambitious or stretch KPIs to secure the full sale value.

Without a financial safety net to fall back on, the stakes feel overwhelming. Achieving those targets is far from guaranteed, and the stress of meeting KPIs, merging cultures, and managing new relationships under financial duress can be crushing. This is where the founder learns the true cost of being financially undiversified.

## THE MISSING PIECE: UNDERSTANDING YOUR "NUMBER"

Compounding this exit vulnerability is a lack of understanding of their 'number': how much is truly enough to live the life they've worked so hard for.

Many founders lack clarity on what financial freedom actually looks like, and often underestimate how tax and transaction costs will erode their sale proceeds. Without that insight, even a successful exit can leave them uncertain and anxious about what comes next.

## THE STRATEGIC SHIFT: ENGAGE EARLY AND DIVERSIFY

Addressing this challenge requires an urgent shift in perspective and the immediate implementation of structured personal financial planning.

Diversification is not an optional extra; it is the ultimate risk mitigation strategy. By gradually and intelligently building a portfolio outside the business, a founder converts business success into personal resilience.

If entrepreneurs engaged with their personal finances even with a small, consistent savings rate many years before an exit, that now-seven-figure, diversified portfolio would grant them true security, regardless of the deal outcome.

A good financial planner is not an expense, they are your co-founder in financial freedom. They help you:

- **Maximise Savings Rate:** Using detailed budgeting and cash flow modelling to demonstrate the power of regular, disciplined saving.
- **Invest Systematically:** Using portfolio simulations to prove the urgency of time in the market, encouraging immediate action.
- **Build Resilience:** Constructing highly diversified, low-cost portfolios that strip out personal financial exposure.
- **Minimise Tax Drag:** Ensuring every investment is made using tax-efficient structures, protecting your ultimate wealth.

Your business demands your all-in effort, but your future demands a diversified strategy. You built the business to secure freedom. Don't let a poor personal financial strategy become the final cage that keeps you trapped. Effective planning ensures that when the time comes, you can secure the future you deserve, on your terms.

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