

Entrepreneurs

# WHITE PAPER 03

 **Columbia Business School**  
The Eugene Lang Entrepreneurship Center

Prepared by Eugene Lang Entrepreneurship Center  
at Columbia Business School for Credit Suisse

Life After an Exit:  
How Entrepreneurs Transition  
to the Next Stage

# CONTENTS

<b>Executive Summary</b>	1
<b>Introduction</b>	3
<b>Entrepreneurship and U.S. Wealth Creation</b>	5
<b>Resources for Entrepreneurs after the Sale of a Company</b>	6
<b>The Art of Reinvention</b>	7
<b>Learning about Wealth Management</b>	9
<b>Case Studies</b>	12
<b>Doug Ripley</b> (35). Two years after the sale of an Internet company and travel, retreats, and research, frustrated by inability to see next step and regrets the sale.	12
<b>Jared Polis</b> (35). After a career as a serial entrepreneur and civic and philanthropic innovator, transitioned to U.S. Congressman from Colorado.	14
<b>Ravin Gandhi</b> (37). After building and selling his family's company, spent five years mastering all aspects of wealth management and investing and recently launched a new company.	16
<b>Guillermo Romo Romero</b> (32). After selling his family's seventh generation business, secured the heart of the business for the family and has launched ventures to better Mexico and Latin America.	18
<b>Marla Schaefer</b> (61). After selling her family's company three years ago, is just beginning to feel comfortable in her new identity as the founder of her family office and philanthropist.	20
<b>Scott Walker</b> (55). After losing everything, at age 50 had a significant wealth creation event and has consciously and carefully built his post-sale identity starting an entrepreneur center and launching new companies.	22
<b>Jerry Kennelly</b> (50). After selling cutting-edge photography-based businesses, once again uses his entrepreneurial skills and creative interests to launch many ventures to benefit Ireland and impoverished people.	24
<b>Lynn Morgen</b> (62). Growing up at the time opportunities for women were in transition, accidentally grew a very successful company, still misses the company ten years after the sale and recently started a new firm.	26
<b>Michael Sonnenfeldt</b> (54). After experiencing both entrepreneurial and wealth management success and challenges, founded TIGER 21 to help entrepreneurs successfully transition after a wealth creation event.	28
<b>Conclusions and Recommendations</b>	30
<b>Stage 1:</b> Before the Sale and the Decision to Sell	32
<b>Stage 2:</b> The First Year After the Sale	33
<b>Stage 3:</b> Planting Some New Seeds	34
<b>Stage 4:</b> In the Flow Once More	35
<b>Resources</b>	36
<b>About the Contributors</b>	37

This document is not complete without the attached important disclosures.

# Life After an Exit: How Entrepreneurs Transition to the Next Stage

## EXECUTIVE SUMMARY

Entrepreneurs are different from other people. Their talent lies in imagining a new solution or a fresh approach that gives the world something it may not have even realized it needed. Building a successful enterprise from start-up to sustained profitability demands total immersion. The company becomes the entrepreneur's purpose, identity, primary community for relationships and the main and most meaningful way he or she spends time. Sometimes the company is passed on to the next generation, leaving a legacy that reinforces the founder's identity and purpose. However, more often, the company is sold. What happens in this case? A sale may result in a financial windfall, but it can also leave the entrepreneur rudderless, facing a big question: What comes next?

This white paper fills a gap in the writings on major liquidity events and the issues they create for the newly wealthy. A number of books and articles address the dynamics of transition and self-reinvention. Others deal with wealth creation via circumstances that include inheritance, legal settlements and successful investing. However, virtually none focus on the specific issues that entrepreneurs face following the sale of their business.

Our goal in this paper is to provide entrepreneurs with perspective on two kinds of challenges after a sale: those they will face as they move on to the next phase of their lives, and those they will face as they learn to manage their new wealth. Our hope is that entrepreneurs contemplating an exit will benefit by having a fuller understanding of what could lie ahead. We also hope it is comforting to entrepreneurs who have recently sold companies and are wrestling with these challenges to learn how others have managed the transition.

This research is based upon extensive interviews with twenty-two entrepreneurs who have sold businesses that resulted in at least \$10 million of liquidity. Nine entrepreneurs were selected as the subjects of detailed case studies. Entrepreneurs who had the most difficult transitions were less likely to agree to published case studies. Every entrepreneur's story is unique. Still, in the course of these interviews, seven themes emerged as common threads:

1. While the sale of a company can mark a significant success for an entrepreneur, **the reality of selling a venture often represents a loss of identity and community.** Entrepreneurs may go through several stages of recognizing and coping with this loss, and this process can sometimes take years.
2. Most entrepreneurs do not measure success in terms of financial rewards, but rather by the sense of freedom and potential legacy that these financial rewards confer. **Entrepreneurs often struggle with how best to use their new freedom and how to define their legacy.** Some engage in philanthropy and government service, while others develop personal interests, or pursue new learnings and start-up ventures. However, finding the next fulfilling activity is one of the key challenges that all entrepreneurs face after a sale.
3. As successful entrepreneurs learn to successfully navigate their new identity with significant wealth, **family, friends and advisors are also assessing and possibly changing their interactions with the entrepreneur.** Finding sources for "unfiltered" input is critical.

## The qualities that make a good entrepreneur are seldom the same ones that make a good investor.

**4. Identifying the right wealth management strategy, advisor and firm is one of the biggest challenges** for an entrepreneur after a windfall. This challenge is magnified by the fact that entrepreneurs typically prefer to be active rather than passive investors and may find it challenging to find advisors willing to work with this style.

**5. The qualities that make a good entrepreneur are seldom the same ones that make a good investor.** Entrepreneurs typically become successful by intense focus and concentration within a narrow domain and active management to control risk. The principles of successful wealth management are quite different, with an emphasis on diversification and relying on the expertise of others.

**6. Financial analysis and planning before and immediately after a sale of a venture is crucial.** In the most successful transitions, entrepreneurs sought out professional advice in a variety of financial areas, including tax, philanthropy, estate planning and wealth education for children well in advance of the sale.

**7. Carefully analyzing the true importance of the company in supplying identity to oneself and one's family** before the sale is critical in avoiding significant emotional stress after the sale. Broadening one's circle of friends and community, interests, and adding civic and philanthropic activities before the sale can help to mitigate the deep feelings of loss many entrepreneurs experience after a sale.

The Eugene Lang Center for Entrepreneurship at Columbia Business School was delighted to partner with Credit Suisse Securities (USA) LLC on this important research project. The Center has long studied the motivations that drive entrepreneurs and the issues facing them at different stages of their lives. With its focus on successful exits, this paper is an important addition to our study of the entrepreneurial career.

The individuals we studied have had a wide range of experiences and taken their lives in many different, creative directions. Some have become philanthropists or serial entrepreneurs. One has become a U.S. Congressman. However, one is still struggling to carve out a new role for himself more than two years after the sale of his company.

Each of these stories reminds us that our potential is limited only by the scope of our imagination. We hope this white paper will serve as useful guide for entrepreneurs and their families, friends and advisors, regardless of where their final destination lies.

**Barbara B. Roberts**, Advisor and Author  
**Murray B. Low**, Director and Author  
The Eugene Lang Entrepreneurship Center  
Columbia Business School

---

This report does not necessarily reflect the official position of the Eugene Lang Entrepreneurship Center, Columbia Business School, or any other persons or entities affiliated with the Center.

# INTRODUCTION



**Barbara Reinhard**  
Managing Director  
Chief Investment Officer  
Private Banking Americas,  
Credit Suisse



**Bill Woodson**  
Managing Director  
Head of Ultra-High Net Worth Business  
Private Banking North America,  
Credit Suisse

Dear Reader:

Welcome to *Life After an Exit: How Entrepreneurs Transition to the Next Stage*. We are pleased to collaborate with Columbia Business School's Eugene Lang Center for Entrepreneurship on the production of this white paper, which we hope will make a lasting contribution to the dialogue surrounding entrepreneurs and their ventures.

Entrepreneurship makes a vital contribution to society that can be independent of economic cycles. Indeed, as one recent study cited in this white paper noted, U.S. entrepreneurial activity actually rose during the recent recession. It has continued to do so even with the lingering uncertainty around the traditional business space. Entrepreneurs often may look at the same situation as others but see it with a different set of eyes. Therein lies the opportunity.

The business of entrepreneurship is complicated, however, particularly when it comes to making an exit. For many entrepreneurs who have invested a vast amount of financial and emotional capital in their business, the experience of selling and moving on may involve a loss of identity and purpose, despite the financial security that usually accompanies the sale. This paper addresses the personal challenges entrepreneurs face during the transition as well as issues created by a significant change in the nature of their wealth, from illiquid and concentrated to liquid and multi-faceted.

At Credit Suisse Private Banking, we have worked with our clients over many years to find solutions to constantly changing sets of challenges. This requires a commitment to innovate and maintain leading edge expertise. Above all, it requires total client focus and understanding of the nuances that drive their needs. Our collaboration with Columbia Business School's Eugene Lang Center for Entrepreneurship and this publication is part of that focus. We hope it will be a source of insight as you pursue your own personal and professional endeavors.

Handwritten signature of Barbara M. Reinhard in black ink.

**Barbara Reinhard**  
Private Banking Americas,  
Credit Suisse

Handwritten signature of Bill Woodson in black ink.

**Bill Woodson**  
Private Banking North America,  
Credit Suisse

The number of U.S. millionaire households had more than doubled since 1995 to more than

9 million<sup>1</sup>

Companies have made more than 108,000 acquisitions since 1995, totaling \$11 trillion<sup>2</sup>

The number of households with wealth over \$10 million had grown from

1995	280,000
	↓
2004	640,000 <sup>3</sup>

4,000

private companies have done IPOs since 1995, raising

\$500 billion<sup>4</sup>

<sup>1</sup> Frank, Robert. *Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich*. Crown Publishing Group, 2007.

<sup>2</sup> Ibid

<sup>3</sup> Ibid

<sup>4</sup> Ibid

# ENTREPRENEURSHIP AND U.S. WEALTH CREATION

**Despite the recession, U.S. entrepreneurial activity rose in 2009 to its highest rate in 14 years, even exceeding the number of startups during the peak 1999-2000 technology boom.<sup>5</sup>**

In 2007, the Wall Street Journal reporter Robert Frank published the book *Richistan*, an in-depth look at the explosive growth of wealth in the U.S. The book idea was triggered by the numbers compiled by the Federal Reserve Board Survey of Consumer Finance showing that the number of U.S. millionaire households had more than doubled since 1995 to more than nine million. The number of households with wealth over \$10 million had grown from 280,000 in 1995 to 640,000 U.S. households in 2004. Frank also discovered that this wealth was not inherited: “only 3 percent of today’s millionaires are celebrities and less than 10 percent inherited their money.” The new wealth had been made. He also pointed out that much of this new wealth was with much younger people than previous generations.<sup>6</sup>

Kevin Phillips in his book *Wealth and Democracy* shows that all of the periods of significant wealth creation in the U.S. have occurred when three forces were present: the development of major new technologies, increased financial speculation, and government policies favorable to free markets and private wealth creation and preservation.<sup>7</sup> These certainly have been main forces in the phenomenal wealth creation in the U.S. in the last 15 years. Additional factors have been the surge in the education of and opportunities for women and the growing middle-class markets in emerging countries.

Robert Frank builds on this theme to show that most of the new wealth of the last 15 years was created in one of five ways: “1. Founders of companies. More than 4,000 private companies have done IPOs since 1995, raising \$500 billion in cash. 2. Stakeholders. These are the stakeholders beyond the founder who cash out when a private company goes public. 3. The Acquired. These are the entrepreneurs who sell to another company. Companies have made more than 108,000 acquisitions since 1995, totaling \$11 trillion. 4. The Money Movers. These are the people who direct and invest this river of cash, earning a share for their advice and input. 5. The Salaried Rich. The pay of U.S. CEOs has ballooned to more than 170 times the average worker’s pay, up from 40 times in the 1970s.”<sup>8</sup>

Reading these statistics, one sees the importance that entrepreneurial activity has played in wealth creation in the U.S. What’s more, statistics indicate that this trend will continue. According to the May 20, 2010, press release from the Kauffman Foundation, “despite recession, U.S. entrepreneurial activity rises in 2009 to highest rate in 14 years, even exceeding the number of startups during the peak 1999-2000 technology boom. In 2009, the 340 out of 100,000 adults who started businesses each month represent a 4% increase, creating 558,000 new businesses each month.” The Kauffman Foundation also sees that the percent of businesses sold each year has consistently gone up and now stands at about 5% of businesses each year.<sup>9</sup>

5 Kauffman Foundation, [www.kauffman.org](http://www.kauffman.org)

6 Frank, Robert. *Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich*. Crown Publishing Group, 2007.

7 Phillips, Kevin. *Wealth & Democracy: A Political History of the Rich*. Broadway Books, 2002.

8 Frank, Robert. *Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich*. Crown Publishing Group, 2007.

9 Kauffman Foundation, [www.kauffman.org](http://www.kauffman.org)

Given the above statistics and data on trends, it is surprising to find so little written about what happens to an entrepreneur after a liquidity event and how to go through the process. Even in the wealth of books and articles recently written about the art of reinvention and rewiring, virtually no writer mentions the unique difficulties an entrepreneur may experience in this process. These books typically focus on retirement from salaried jobs, retooling after a job loss, or finding a first job after graduation; those who have sold a business receive short shrift.

Books and articles about how to deal with a windfall/sudden wealth event also show a similar blind spot. These books typically cover sudden wealth from inheritance, divorce, lotteries, legal settlements, and stock options. They also tend to recognize that athletes and entertainers who have

devoted themselves to developing a talent and then suddenly having financial success may have special challenges with new wealth. Again, there is virtually no recognition in this literature that entrepreneurs may encounter similar issues. Lastly, as one reviews wealth management literature and talks to wealth advisors, they too seem not to understand the unique characteristics of the needs of entrepreneurs in wealth management. One must also conclude that there are major misconceptions about entrepreneurs and the experience of wealth creation.

Two categories of recent books that might be helpful to entrepreneurs learning about wealth management are those that deal with raising children of affluence and those that address values and meaning and money. Two particularly helpful books are Lee Hausner's *Children of Paradise* and Judith Stern Peck's *Money and Meaning*.<sup>10,11</sup>

## It is surprising to find so little written about what happens to an entrepreneur after a liquidity event.



<sup>10</sup> Hausner, Ph.d., Lee. *Children of Paradise: Successful Parenting for Prosperous Families*. St. Martin's Press, 1990.

<sup>11</sup> Peck, Judith Stern. *Money and Meaning: New Ways to Have Conversations about Money with your Clients*. John Wiley and Sons, 2008.





**Life is not a straight line that goes up; it is a series of chapters, circles, reinventions, highs and lows.**

## THE ART OF REINVENTION

Waking up to a new state as a multimillionaire is certainly a life changer. It is an event that demands a new mastering of the management of money. However, the bigger challenge is mastering the new identity of a wealthy person. “There is a secret that only the rich know,” says Ravin Gandhi (a case study on page 16), articulating a well-known cliché that many people hear but only a fraction of society truly experience. “Money does not buy happiness. Having a wealth creation event is not going to solve your problems; it is only going to create new ones.” The search for happiness and the true meaning of life and its transitions is not new. However, the growing bulk of research on successful paths to finding it is.

Based on thirty years of research, in 1999 Frederick Hudson published the book *The Adult Years; Mastering the Art of Self-Renewal*. He also is the founder of the highly regarded coach training institution, The Hudson Institute of Santa Barbara. Hudson was one of the first people to clearly

identify that as humans lived longer, the most basic assumption that life and its institutions such as marriage and work would be linear had to change. In other words, the longer humans live, the more often and the deeper they will need to transition themselves. Life is not a straight line that goes up; it is a series of chapters, circles, reinventions, highs and lows.<sup>12</sup>

Hudson believed that change was the essence of life and mastering the art of going through self-reinvention and renewal would become the critical life skill as life expectancy extended. Hudson’s work showed that one has two options to navigate life transitions successfully. The first option involves making a mini-transition and tweaking one’s life, but basically coming back to the same activities. The second option involves a significant reinvention of the self. His research showed that such significant reinvention required much deeper work, involving four stages, often over the course of years.<sup>13</sup>

---

<sup>12</sup> Hudson, Frederick M. *The Adult Years: Mastering the Art of Self-Renewal*. Jossey-Bass, 1999.

<sup>13</sup> Ibid

Hudson identifies two of these four stages as critical. The first critical stage is what he calls “cocooning”: a time of introspection and mourning for the ended chapter and the beginning of a new sense of hope and purpose. After this stage, a second stage is necessary before one can return to true purposeful work. This stage is one of “getting ready” and involves lots of experiments, new learnings, and trial roles and activities. This second stage of trial and error can be frustrating as things are learned and tried and some ultimately end up disappointing. Eventually, however, one of these new seeds does take root, and one is once again “in the groove,” having found the next meaningful and fulfilling stage of life.

Applying this model to entrepreneurs, one would expect that some entrepreneurs might make mini-transitions after the sale of their company. Such mini-transitions might be manifested by quickly finding somewhat similar new ventures such as angel investing, board work, teaching entrepreneurship, or launching another company in the same industry or with the same business model. However, for other entrepreneurs the sale of a company can mark the beginning of a major time of reinvention and renewal. It can potentially lead to a difficult time, beginning with time to “cocoon” and mourn their lost company and identity. This period could be followed by years of significant experimenting and “getting ready” for an exciting and fulfilling new life and identity. Hudson found that the process he described could take five years or longer.<sup>14</sup>

Another body of literature that is pertinent to entrepreneurs talks about how one truly benefits from working. The general theme is that work offers individuals three things: a sense of purpose or identity, a community, and a way of structuring time. For an entrepreneur, each of these benefits is magnified. Every successful entrepreneur interviewed stated that building one’s company becomes one’s purpose, one’s prime community for relationships with people, and the main and most meaningful thing one does with one’s time. While building an enterprise, an entrepreneur creates the company’s values and purpose, controls the type of people hired, and controls the way time is structured. An entrepreneur in effect creates a utopia where one works with the people one wishes to work with on a purpose of one’s choosing and in a manner and time one chooses. Given the degree of control over such critical elements of life, an entrepreneur can be caught totally off guard by the scope of change triggered by the sale of a company.

This kind of transition may be easier for younger people, as they have grown up with the expectation of longevity to one hundred years or beyond. Younger people may expect to go through many such reinventions over the course of their lives. It may be more distressing for the current surge of early baby boomers in their sixties, who are selling companies after years of working in them. Lastly, entrepreneurs who are forced to sell (because either the company has outgrown their entrepreneurial systems or because of outside investor decisions) may have even more difficulty in this transition.

**An entrepreneur in effect creates a utopia where one works with the people one wishes to work with, on a purpose of one’s choosing.**

---

<sup>14</sup> Hudson, Frederick M. *The Adult Years: Mastering the Art of Self-Renewal*. Jossey-Bass, 1999.

# LEARNING ABOUT WEALTH MANAGEMENT

**The first and most important questions an entrepreneur should ask after a wealth creation event are: What do I want as my future and my purpose, and how can this money help me achieve my goals?**

Wealth advisors note that entrepreneurs often regret selling and try to buy their company back years later. There may be many reasons for this phenomenon, including the sort of non-monetary concerns about purpose, community, and time. However, there may also be financial motives behind efforts to reacquire one's company. These suggest that before one sells, one should see advisors to learn about the far-reaching financial consequences of a sale. Entrepreneurs need to learn about tax and estate planning, and they need to gain a very realistic understanding of reasonable returns for reasonable risk and the true cost of maintaining one's lifestyle, particularly the cost of replacing services and perks they have become accustomed to, such as assistants, computer help, office space, travel and entertainment.

Becoming a successful steward of significant new wealth after the sale of a company is a complicated process. Some

advisors have suggested that entrepreneurs are particularly challenged in wealth management as it is a new world for them, demanding new types of decisions with the result of a loss of control which they are not used to. As Susan Bradley, author of *Sudden Money: Managing a Financial Windfall*, counters: "The real complexity of a windfall experience for the recipient as well as their financial advisors is a lack of understanding [and appreciation] for the importance of the emotional component. The thread [of the stories about people with sudden wealth] was the impact of the money on the emotional state of the recipient and the subsequent impact of the new emotional state on how the money was handled."<sup>15</sup>

Bradley explains that there are three phases to successful mastering of new wealth. In simple terms, "Phase One is a time of preparation and planning for the investment and



---

<sup>15</sup> Bradley, CFP, Susan. *Sudden Money: Managing a Financial Windfall*. John Wiley & Sons, 2000.

lifestyle decisions you will be making in the second phase. Phase Two is a time for action: putting the money to work. Phase Three is defined by monitoring your annual progress toward the goals you have set and sharing your wealth with your family and community." Each of these phases in reality is highly complex.<sup>16</sup>

Wealth managers advise that the first and most important questions an entrepreneur should ask after a wealth creation event are: What do I want as my future and my purpose, and how can this money help me achieve my goals? Wealth creates new opportunities and challenges. In addition to self-renewal and reinvention, a wealth creation event also triggers a mass of new things one must learn about and new types of needed decisions. Decisions need to be made around tax and estate planning, spending levels, and philanthropy. It also can trigger challenges in relationships with family and friends.

Experts interviewed mentioned that a common misperception is that "entrepreneur" and "investor" are synonymous terms. Michael Sonnenfeldt, founder of TIGER 21, has met dozens of entrepreneurs who have come to his peer learning groups after a wealth creation event to learn about investing. He notes that in reality most entrepreneurs are not good investors and most investors are not good entrepreneurs. Each activity requires a completely different skill set. Sonnenfeldt observes: "one can only effectively preserve wealth through

prudent diversification whereas one can only effectively create wealth through concentration. All the skills that an entrepreneur has of milking a single opportunity for all it is worth and figuring out every angle about it are counter to the skill for successful wealth management. An entrepreneur's instincts are to over concentrate and take unwarranted risks."<sup>17</sup>

Professional managers advise that entrepreneurs think about the type of investor they will be as the first step towards finding appropriate strategies and advisors and understanding their attitude to wealth management. Are they an active or passive investor? Experts have noticed that people who have earned their wealth tend to be active investors. They have a need to feel in control of their investments, often becoming highly involved. By being actively involved and in control, these investors feel they are reducing risk. Professional advisors have observed that entrepreneurs often have difficulty delegating decisions to others which can lead to conflict and discontent with financial advisors.

Factors further influencing the selection of an appropriate manager are how long one has had wealth, the makeup of the assets, the magnitude of the wealth, the benefactors, the constituents such as children, grandchildren and foundations, and the degree of interested involvement. Advisors note that the type of advisor and kind of advice one needs may change over time. They also note that entrepreneurs typically change



<sup>16</sup> Bradley, CFP, Susan. *Sudden Money: Managing a Financial Windfall*. John Wiley & Sons, 2000.

<sup>17</sup> TIGER 21, [www.tiger21.com](http://www.tiger21.com)

their objectives over time. At first their prime goal may be preservation of capital at all costs. They took risk to make the money and want to avoid risk to preserve it. Typically, this is made more complex using their reference point of high returns from their company sale against normalized returns of lower risk investments.

Over time, however, they learn that in order to grow their wealth or to preserve their purchasing power after inflation they must take on a certain degree of risk. They then often migrate to thinking of having a risky and non-risky portion of their portfolio to achieve higher rates of return. Other entrepreneurs may take the approach of seeking excess returns with their portfolio. These individuals are comfortable with risk—after all it was how they made their wealth in the first place. However, seeking outsized returns carries with it the potential for meaningful loss of wealth. Over time, post-sale entrepreneurs come to appreciate how hard it is to be successful as an investor and come to appreciate the benefits of a more balanced portfolio.

At each of these stages, one needs to understand what one is trying to do and learn and what kind of help is needed. Over time, entrepreneurs evolve and become more sophisticated investors, increasingly mindful of fees and taxes. They also come to appreciate that they are managing the wealth, not just for themselves, but for many constituents, including spouses, children, grandchildren, and charitable foundations. Some may find they need an advisor and firm that has a specialty focus; others may need a broader platform. Later an entrepreneur may become more focused on philanthropy and cross-generational planning. A critical decision that may evolve over time is how involved one wants to be in the decision-making process, a choice that may change as one builds trust with advisors. As these needs evolve and one's wealth management sophistication develops, the type of advisor and firm considered appropriate may also change.

Two significant challenges that come with major new wealth are successfully instilling sensible values in children and grandchildren and learning about philanthropy. The entrepreneur's children typically grew up with middle- to upper middle-class values, during the time that the entrepreneur was creating the wealth but before realizing it, and are therefore not as directly impacted by the family's new wealth stature. Grandchildren, on the other hand, tend

to be the generation where the challenge of growing up with great wealth occurs. This is an area where there is considerably more information available to help entrepreneurs and an area where wealth advisors and their firms can be helpful.

Philanthropy is another area for new learnings. Advisors urge entrepreneurs to professionalize the process of identifying and pursuing their philanthropic passions, taking care to create or contribute to charitable organizations that promote solutions to problems in which the entrepreneur and perhaps his family are deeply interested. Successful philanthropy typically comes from pursuing a strategy similar to that of successful entrepreneurship; it has a clear mission and vision, and it requires the thoughtful and disciplined investment of time and resources.

A final warning is that entrepreneurs new to wealth should be wary about surrounding themselves only with paid people giving filtered information. CEOs often say they need unfiltered input from their management team and employees. Entrepreneurs also need to find ways to obtain unfiltered input in their wealth management. They need to hear from people who they are not paying. As Michael Sonnenfeldt explains in the case study on page 28, this need was the impetus for founding TIGER 21, which has become a place for entrepreneurs after a sale to experience unfiltered feedback as they transition and learn about investing. Other resources for learning about wealth management with peers are the Institute for Private Investors and short intense courses offered in wealth management at top schools.

In sum, the challenge for an entrepreneur upon the sale of a company is twofold: how does one find new purpose, community, and structure for time; and how does one master wealth management and its new challenges and responsibilities? The following case studies share the stories of how nine entrepreneurs navigated those challenges. The cases were built on phone interviews backed by publicly available information. The goal of the cases is to share what happened in the first few years of new wealth, how the entrepreneur transitioned to the next phase, and what lessons were learned about wealth creation and management and its challenges. All case studies use real names except the first case. The first four cases cover entrepreneurs who experienced significant wealth creation before the age of 30 and are still in their 30's; the others speak from a later time in life.

# Doug Ripley

Age: 35

Now: Eighteen months into transition to next chapter

Wealth Creation: Sold Internet Media Company in 2008

As Doug explains, he had two childhoods. The first was in a traditional middle class family where he was the youngest of six. The second took place when his parents divorced. He moved with his mother across the country and began a very different life with a single mom. While in college at PENN, he became interested in philosophy and “ideas that change the world.” He did not think of himself as the smartest person but as one who “worked the system” and made things happen. Though going to college was not an expectation in his family, Doug tried to take advantage of going to an excellent school and liked to think for himself. At PENN, he relished writing controversial articles and was on the debate team. He also became interested in investing. As the result of his trading, he was able to meet his goal to pay off all of his college loans at graduation.

Doug’s first job out of PENN was with a small hedge fund in California. He took investment licensing courses and ended up running the fund’s back-end operations and doing some limited trading in financial futures. After a year, at the age of 23, he moved to Boston. He bounced around several consulting jobs and, like many people his age, became enamored with the possibilities of the Internet.

As he turned 25, he was very clear that he wanted to work in media as it transformed for the digital age. The key lesson he had learned from his hedge fund job was to seek situations with unlimited upside and limited downside. So at age 26, he borrowed \$10,000 and started an online media company. His attitude was that if it worked out, that would be great; and if it did not, he could go to law or business school. He spent his first year working in coffee shops on a prototype. In 2001 he launched. A mentor from his hedge fund days invested \$400,000, and he grew his digital media company from there. Five years later, the company had grown to 45 employees and he noticed strong valuation multiples in his sector. So he began to plan for the sale of this company. He wanted to take some money off the table, travel for a year, and then pursue another entrepreneur endeavor. In 2008, he sold the company and left in early 2009.

Doug was unprepared for the reality of selling and leaving his company. He describes the first year with these words: “I had achieved a long-term goal, made some money, and was traveling to fun, exotic destinations. And yet I felt a nagging sense of loss. I couldn’t explain why. Looking back now, I realize that I made too many changes in my life at once. In addition to selling the company and leaving my CEO role, I sold my apartment, put all my stuff in storage, and was beginning a new relationship. All the change was a shock to my sense of self. I didn’t realize how significant these things were to my identity. If I had it to do over again, I definitely would not make so many changes at once. I’m not even sure I would sell again. I was so focused on my goal of selling the company, making money, and taking a year off, that I never thought about what I’d do next.”

As he looks back at the year he spent after leaving the company, he notes that a retreat called Life Launch at the Hudson Institute in Santa Barbara was helpful in managing the transition. He also hired a life coach. His goals that year were to spend most of his time traveling abroad, explore new interests, and spend quality time with family, which he did. He did not buy “toys” and in fact found himself shedding possessions. He did show “tiny acts of generosity” with his family. He also took a few classes at a local art institute and spent several months living in New York with his girlfriend. At one point, he considered moving permanently to New York but ultimately decided to stay in Boston.

Since he had worked for a hedge fund and is a self-proclaimed “personal finance geek”, he was comfortable managing his new wealth. Years earlier, he had hired a wealth advisor for a fee-based formal financial plan but preferred managing his own funds. His biggest financial setback was when the buyers of his company went through a restructuring and reneged on his earn out. “It was an up-front deal, but I stayed an extra year and blew the earn-out out of the water. I was very earnest about leaving the company in great condition and felt really burned by losing the earn-out. The global financial crisis didn’t help.” A key piece of advice that he gives others is to do due diligence on buyers’ balance sheets and never agree to any contingent payments unless they are completely secured. “If you go through the auction process, realize that you are in the driver seat,” he said. “You do not have to accept anyone’s offer or define your success by a sale.”

As Doug heads into his second year in pursuit of his next chapter, he’s planning to buy a new apartment in Boston, make one or two more angel investments, attend cutting-edge conferences, and develop new venture ideas. He is planning to join TIGER 21. Doug expects that he will start his next company within months. However, he is frustrated that it is taking longer than expected to get back “in the flow.” He is grateful for his success, the opportunity to take some time off, and the possibilities in front of him.

As an entrepreneur, “I was in an operating mode. Now I am back in the world of ideas and possibility. The frustrating part is that I have too many ideas and can’t seem to focus! I am working on several projects and expect to throw a few things against the wall in the next few months. I had considered going back to school, or reinventing myself in some other field, but I realize I still love media, technology, and entrepreneurship. And now’s an exciting time!”

Doug’s advice to others is not to do a total “creative destruction” of your life. Don’t make too many changes in your life all at once, he says, and consider taking a sabbatical instead of selling your business. “Be prepared for a walk in the desert. Be prepared to wander a bit. But be grateful, and enjoy the ride.”

**“I had achieved a long-term goal yet I felt this nagging sense of loss. Be prepared for a walk in the desert.”**

# Jared Polis

Age: 35

Now: U.S. Congressman (D) representing Second District of Colorado

Wealth Creation: Sold bluemountain.com in 1998 and ProFlowers.com in 2006

A Boulder native, born to parents active in the 1960's peace movement, Jared has lived his life on building on the legacy and idealism of his parents. Jared was still a political science student at Princeton University when in 1993 he co-founded his first Internet company, American Information Systems (AIS), an Internet access, web hosting, and application service provider. Founded with two other students, who each invested \$10,000 from their savings accounts, the company was sold to Exodus in 1995.

Jared graduated from Princeton in 1996 and returned to the Boulder-based greeting card and book publishing business, Blue Mountain Arts, which his parents had founded twenty years earlier. There he succeeded his grandmother as sales manager. In 1996, he co-launched bluemountain.com, a website that offered free animated greeting cards. Although the company was never profitable, he sold it to Excite@Home three years later for \$910 million, one-third cash and the rest in Excite stock. It was at the time when "hits" and number of "eyeballs" was all that mattered to investors. Excite went bankrupt, and American Greetings bought the site out of the bankruptcy. Jared notes, "We were very fortunate with the timing of the deal, the competitive landscape. It gave me a five- to 10-year jump-start on the community involvement that I knew I wanted to have."

It was clear Jared was an entrepreneur. Just two years out of college, in 1998 he launched ProFlowers.com, another web company that sold flowers direct from growers to consumers. He saw the Internet as the way to connect growers originally in Northern California and then elsewhere directly to consumers and eliminate intermediaries and other costs. ProFlowers expanded into a host of web-based companies to become Provide Commerce, Inc. (PRVD), which went public and then was acquired by Liberty Media Corporation in 2006 for \$477 million.

Also at the time of starting ProFlowers, he launched Cinema Latino, a chain of movie theaters that screen first-run Hollywood films dubbed or subtitled in Spanish and offer Mexican food and décor. He most recently launched Aquacopia, which is investing in start-ups in ocean aquaculture.

Jared ties this entrepreneur career together by simply stating that he is continuing the legacy of his parents; he had to be "a catalyst for change. My motto is take something that is already out there and do it better." He adds, "when I am doing this entrepreneur thing, I never think I will do anything for a long time. My style is to get very intensely engaged and then move on."



Jared's road to Congress began in 2000 when he was still very involved in ProFlowers and other startups. In that year he was named Ernst and Young Entrepreneur of the Year and was elected a member-at-large on the Colorado State Board of Education. He was 25 years old. He went on to chair the board and served for six years, strongly advocating school reform and enhanced educational opportunities. Also in 2000, he founded the Jared Polis Foundation, which awards micro-grants to teachers and schools. The foundation has donated thousands of computers to schools and non-profits serving disadvantaged students. In 2004, seeing the difficulty older immigrant students faced in mainstream schools, he established and served as superintendent of the New America School. New America School, which extends the benefits of English literacy and high school education, now operates four campuses in Colorado and one in New Mexico. In 2005, he co-founded the Academy of Urban Learning for teens challenged by homelessness and unstable living conditions.

With these well-known accomplishments in education reform, Jared was asked to run for U.S. Congress when Democrat Mark Udall's congressional seat was vacated as he ran for U.S. Senator from Colorado. Jared states that "I was in the right place at the right time. I had a dream of higher political office but had imagined that to be something for ten years or more down the road. If I look at my life, I see that I am about seizing opportunities as they come along, particularly if they are consistent with my values. I believe this is the skill of all successful entrepreneurs." In 2008, Jared, age 33, was elected with 60% of the vote to the 111<sup>th</sup> Congress, representing Colorado's second congressional district.

Jared points out that he has always lived a "balanced life." Balance to him is using his entrepreneurial skills to build his companies and also to help solve society's civic and political challenges. He moved easily from one success to the next chapter because he had a portfolio of roads, chapters, and directions that continuously included entrepreneurial, civic, philanthropic and political projects in all stages of development. When a project in one arena was winding down, he cycled to one in another arena that was moving forward.

He suggests that he did not suffer the psychological crash that some entrepreneurs experience on the sale of companies as he saw the sales as vehicles for accomplishing more in bettering the community, which was his bigger passion and purpose. And he has very successfully taken his entrepreneurial spirit to a number of civic and political projects. He explains, "My passion and purpose is the development of human beings. So the key themes of my civic and political work have been education and immigration reforms." His success as an entrepreneur makes him particularly sensitive to the value and role of education in our economy. "Education," he feels, "is the only meaningful, long-term stimulus we can make to invest in and reinvigorate our economy."

Perhaps it is just that balanced perspective that has made the management of his wealth less stressful for Jared than for some entrepreneurs. Public records state that Jared is one of the wealthiest members of Congress with wealth in the \$75-\$150 million range. A substantial amount of his money is liquid and in a blind trust. The rest of his wealth continues to be invested in private companies and properties that are run by a family office.

When asked about advice for other entrepreneurs, Jared urges entrepreneurs "to do part-time civic or government work at all stages of their careers. It adds to personal balance, and these institutions desperately need the practical, problem-solving attitudes without ideology that is typical of entrepreneurs. There are many ways to begin to become involved. One can serve on school boards, city councils, advisory panels, and planning commissions." Jared adds, "It also is good to develop a theme and specialty to your service. If you believe your success was in any way helped by our system of government, you owe a contribution to our system out of loyalty; you have an obligation to give back to ensure that the system keeps going for the next generation of entrepreneurs."

**"The deal...gave me a 10-year jump-start on the community involvement that I wanted."**

# Ravin Gandhi

Age: 37

Now: Founder GMM Nonstick Coatings

Wealth Creation: Sale of Coatings and Chemicals Corporation in 2001

Ravin Gandhi had a solid middle-class childhood in Chicago. He received a B.S. from the University of Illinois, became a CPA, and worked at KPMG Consulting. In 1995 as Ravin turned 22, he joined Coatings and Chemicals Corporation (CCC), a small manufacturer of nonstick coatings for the cookware and bakeware industry that had been founded by his father. Ravin with his father, sister and mother worked to make CCC the sole supplier to many American cookware, bakeware, and appliance manufacturers. Within a few years, the company had grown to 40 employees and the future looked fantastic.

However, during a four-month stint living in China, Ravin “realized that many of our customers would one day move their manufacturing to China. Our revenues could disappear overnight if this happened.” Despite nobody buying into his gloomy vision, Ravin became obsessed with his new idea. “I felt like a passenger on the Titanic who knew we were going to hit an iceberg. I had to find the helicopter to take us off the ship—we had to sell CCC.”

Ravin thought if the family could sell the business and generate the then-expected rate of return of 10%, the family could actually earn more than they were currently taking home working tirelessly at CCC. “It took me a few months to convince my dad even though he was literally killing himself in our business.” Within two years Ravin had three suitors, with the main choice being Akzo Nobel—a competitor and multibillion-dollar conglomerate. Ravin was able to sell CCC to Akzo Nobel for a sum far beyond his family’s expectations.

Ravin describes feeling a “tug of war” after the sale. “I sort of expected instant happiness because of everything I had seen in movies. That didn’t happen. What did happen was I felt a huge burden. Because it was my decision to sell our family business, I wanted to build a wealth platform that would last for generations.” After a whirlwind interview process, Ravin gave three firms the same significant capital sum to invest in 1999 while he attended Northwestern University to get his MBA. He watched two famous managers go up 60% through the summer of 2000, then fall to half the investment principal during the bear market of 2001–2002. Ravin says “I found it slightly pleasurable to see the accounts go up, but watching them plummet in 2002 was horrible. I couldn’t sleep at all because the losses were huge. And it was ironic because being ‘wealthy’ didn’t really reduce my stress levels one bit.”

This stress did not portend well for Ravin’s new job as President of Akzo Nobel Nonstick Coatings. “I loved my job, but on certain days with big market movements I would be distracted as I knew that we had either made or lost a multiple of my annual salary in a matter of a few hours.” And as Ravin had feared, within four years the industry had shifted to China, and the revenues of Akzo Nobel were cut by over 50%. “I sold our business at the perfect time, but there was no pleasure in being right because our customers laid off so many people. It was really sad. What felt great was that we were able to pay off the home mortgages of the key employees who had helped us build our business.”

In 2002 Ravin left Akzo Nobel and founded Glenborn Partners, a family office and private equity fund. He wanted to become an expert in investing, with the additional goal of doing direct private equity deals. Ravin immersed himself in learning about the markets. “Each day I talked to a ton of traders and money managers and strategists. I read hundreds of books on investing and company annual reports.” As he explains, “I did not want there to be any investment term or market analysis that I did not understand. The only way I could cope with the loss of control that comes with investing was to try and fully understand what is going on, and that really motivated me positively. ”

Ravin had discovered that again he was having a dramatic impact on his family’s wealth. “A big investment decision can be the difference between making millions or going broke. You are either right or wrong. I like that pressure, especially when I feel that I have done all of my homework. You have to be willing to put the work in to constantly learn, and you have to really know yourself psychologically to deal with the inevitable volatility. In my case, by 2006 I focused on being protected against ‘unimaginable consequences’ in the markets.” This view helped Ravin escape the 2008 financial meltdown relatively unscathed.

Also in 2008, at the end of his non-compete with Akzo Nobel, Ravin co-founded GMM Nonstick Coatings, a China based coatings company. GMM currently employs 240 employees in China, and is growing dramatically as more people eat at home and need cookware. Because of his bearish market view, Ravin now spends the majority of his time looking for other distressed companies for sale. “It’s amazing that I have come full circle, from operating a private business, to totally being focused on the markets, back to building private businesses. What’s interesting is how much my investment worldview helps me out as an entrepreneur.”

On the personal side of managing the challenges of wealth, Ravin has excelled. He and his family remain very close, and no one has been impacted negatively by wealth. “My mom spent the first 20 years of her life very poor in India sharing a 16’ x 16’ room with her parents and three siblings. And my dad was the quintessential educated, driven immigrant who worked tirelessly to make a better life for his family in America. The fact that we grew up with no money makes it that much easier to handle having ‘wealth’ because we know that our family relationships are all that matter.”

Ravin’s best advice is that “there is a secret that only rich people know, and that is that money does not buy happiness. Do not think that you will become happy just because you go public. When you sell your first company or make that first million, be clear with your friends and family that you’re the same person. You always have to be working towards a goal, and contributing to society in a positive way. This can mean building another business, raising a great family, or even getting involved in public service.”

Having recently married, Ravin states, “We just had our first child, and I hope to raise him and future kids without the feelings of entitlement or apathy that money can sometimes bring.” Ravin also laughs as he says “Plus, I will be quite clear to the next generation that most of the family money will go to charity, so new fortunes have to be made by them! I greatly respect Buffett and Gates for inspiring the wealthy to donate to greater causes.”

**“There is a secret only rich people know: money does not buy happiness. The only way I could cope with the loss of control that comes with investing was to try and fully understand what is going on.”**

# Guillermo Romo Romero

Age: 32

Now: Founder and CEO of Grupa MEGA

Wealth Creation: Sold Tequila Herradura, a seventh generation company, in 2007.

Born in Guadalajara, Mexico, Guillermo Romo was destined to be the seventh generation head of the 140 year-old company, Tequila Herradura. His great grandmother had run the business in the early 1900's. His grandmother took the helm in the 1940's. Guillermo's father followed as Chair for 30 years before he drafted Guillermo to head the company.

Guillermo remembers a happy childhood with his sister on their hacienda, surrounded by family and friends. Throughout Guillermo's childhood, his father brought him to business meetings. He remembers his grandparents and parents constantly talking about the values and points of differentiation of their tequila, thus acquainting him with the family's core business at a very early age. At age 17, he launched his first business, a Guadalajara weekly newspaper for children. Although he took many law and business courses at Kellogg, Harvard and elsewhere, he has never had time to complete a degree.

When Guillermo was 24, his father stepped down and asked him to take over the company. The rules in his family were that no family member was allowed to work in the company, that only one person from each of the two sides of the family served on the board, and that each of them took turns every two years as Chair.

Thus, when Guillermo became Chair of Tequila Herradura, he had never worked at the company. His first step was to sit down with key employees and every business partner, raw material providers and client to understand the company's

challenges moving forward and how to act on them. He then created a plan and built a team to execute it. In six years he and his team modernized the company, launched 15 new products, recovered market share and greatly improved efficiency in the factories, reducing GSA by 48% and increasing EBITDA by 25%.

Prior to becoming Chair of the family holding company, Guillermo had surveyed all of the family's holdings. Observing that 95% of their assets were in Tequila Herradura, he began a plan to more aggressively diversify the other more liquid 5%. As part of this strategy in 2003, he founded Grupo Mega, a financial services company offering leasing and insurance services to Mexican businesses in construction, mining, medical and transportation industries that traditionally had difficulty accessing capital.

Once Mega was up and running, Guillermo turned his attention to the key obstacle for Tequila Herradura's long-term growth: U.S. and global distribution. He became aware that the company's size was capped if he could not ally with a strong international distributor. As Guillermo explored his best options for international distribution, he discovered that it might require the sale of at least a portion of the company.

Guillermo faced two challenges: First, he needed to convince his family of the necessity of selling at least a portion of the family holdings in the company, a taboo topic. Second, he needed to find a company that would guarantee the survival of their family legacy in the world of tequila.

“We had a partner with a 25% interest in the company who had some liquidity issues, and we were able to negotiate a good price at 8.5 times EBITDA. My plan was to buy those shares and resell them to a U.S. distributor. We hired investment bankers to sell 15%. However, we learned that there was appetite for the company, but that 15% was too small a stake.” Analyzing the bids was like securing a PhD. In the end Brown Forman, the maker of Jack Daniels whisky, looked like one of the two most interesting offers. Another company offered more, but they already had a tequila brand. With that offer, “We felt we could have put 1,500 Mexican people out of work in families who had worked for us for generations. We could not take that better offer.”

The only family members that Guillermo had to consult as he made the decision were his father and uncle. As it came time to make the final decision to sell or not, he asked his father to breakfast. “I wanted him to tell me what he wanted me to do with his company.” He replied, “What part of ‘you are in charge’ do you not understand? The only Romo’s I want you to think about are the next six generations. Do what’s right for them.” Guillermo left the breakfast feeling “very heavy”; he knew that deal would change his family forever.

Guillermo and his family sold to Brown Forman at 29.6 times EBITDA, the most successful sale ever in the alcohol industry. Guillermo is confident that it was the right decision given the clear trend in market consolidation. The family received \$876 million in cash and “kept the heart of the company. We kept the original family hacienda, the old distillery, 5000 acres of land and a contract to supply raw materials to Brown Forman for at least 16 years. Additionally Brown Forman’s advertising has strengthened the brand and our legacy.” It is one of the biggest deals ever for a Mexican company.

When asked about how his family kept a company for 140 years, Guillermo says, “Our philosophy had always been to reinvest most of the money back into the company. The norm in Mexico was poor companies with rich owners. We were the opposite and wanted a wealthy company with a strong

balance sheet and reasonable dividends. Most important, we refused to compromise on the values and quality in our tequila from the beginning. We insisted on creating the best tequila and refused to change the ingredients or the process to save time or lower costs.”

After the sale, the proceeds were divided with his uncle and cousins. Guillermo is now devoted to managing his family’s wealth and growing his creation, Grupo Mega. Mega has grown 135% per annum, has assets of \$615 million and employs 580 people. Since selling Tequila Herradura, his family office strategy has included launching a broker dealer, Global Securities, which has operations in the U.S., Colombia, and Peru and a private bank in Switzerland, Millesime, which acts as a multi-family office for his family and other Latin Americans.

Guillermo and his family are involved in numerous socially responsibility initiatives, particularly ones that help Mexico and Latin America. He is a leader in Endeavor, promoting entrepreneurship in emerging markets and helped to start the American Business Council, a forum to put innovative leaders to work on poverty, climate change and other critical issues facing Latin America.

Guillermo and his wife are expecting their fourth child. It will be up to his children if they come into the business. He says that they will not be able to do that unless they have earned the right. He is building his portfolio of companies with the possibility that if they are interested, a child can take over one of them. Most important, “I want them to be happy and I want to be a good father. The example set by me as a parent is my most important work.”

What are his dreams for the future? Guillermo says that it is sad to see that the “glow is not present anymore in the eyes of the Mexican people.” His dream is to start another company with a huge concept that will employ a very large number of people in Mexico and Latin America and help put the glow back in those eyes.

**“After seven generations of ownership, the family received \$876 million in cash and still kept the heart of the company.”**

# Marla Schaefer

Age: 61

Now: Running a Family Office

Wealth Creation: Selling Claire's Stores in 2007

Working for her family company was Marla Schaefer's identity for her entire life. After leaving college in 1971, Marla joined her father in his wig business. The business evolved into a chain of costume jewelry and accessory stores known as Claire's Stores, with both Marla and eventually her sister helping to grow it. In the 1990s the company entered the UK, Switzerland, Austria, and Germany and created a joint venture with a retailer in Japan. A few years later they established a franchise partner in the Middle East. In 2002, when their father stepped down due to illness, the sisters became co-CEOs and co-chairs and continued the company's expansion into France, Spain and South Africa.

Marla had occasionally wondered if she had made the right choice joining her father's company but eventually realized that her ability spoke for itself. Others confirmed it as well: in 2006 Advertising Age called Claire's one of the top 50 best decision makers and a company worth watching. In 2007, the sisters sold the company to the private equity firm Apollo Management for \$3.1 billion. By then Claire's had over 3000 stores in four continents.

Marla states that selling was a difficult decision but the right thing to do at that time. The deal closed May 27, and she was asked to leave by June 30. Coming up to the sale she was immersed in the deal and had a sense that the transition would be hard, but she had no idea how hard. "The analogy I use is that up until the day the deal closed, we were all on this fantastic bus journey that we had all created travelling

down the road. It was a great time with great people. I got off and waved goodbye watching the bus travel into the sunset. There I was at the crossroads with no idea which direction to go. I felt very alone."

Having spent her life working for Claire's, Marla found that making this abrupt transition at age 58 was very difficult. She says that keeping a journal through this time was very helpful. "It was a place to put my thoughts and really see the roller coaster ride. Anyone who sells a business should know that there really is a grieving process separating from the company and your old identity."

Many people told Marla not to do anything for the first six months, but she felt she needed to immediately leverage her "pedigree" as the CEO who had just sold Claire's if she wanted opportunities such as corporate boards. Now two years beyond the sale, Marla wishes she had listened to the advice she was offered. "I am now untangling myself from all the stuff I entangled myself in because I was so worried that I was not going to have anything to do. I see now that it would have been better to just 'be' with myself for a year or so. I am now asking who is my new self? And what do I truly want?" Marla realized early in her transition that her work had given her life structure. Without this structure, she felt lost. At that point, a friend offered her some office space with himself and other private investors. Marla took the space with them, hired an assistant, and began building her family office. She enjoyed the camaraderie and now had a "place."

Marla states that when she started her family office in 2008 she knew little about finance. She knew how to manage a company, but her knowledge of finance was limited to what she had learned as the CEO talking to Wall Street analysts. Brokers had handled her money, and she felt that her father had “infantilized” his daughters around money. This was another reason a family office suited her. It was a perfect way to teach her two teenage daughters how to steward the wealth they would one day inherit. “I want them to learn how to work with a bank, how to be a good trustee and a good beneficiary, how to determine whether fees are reasonable, and so forth,” she said.

Three years after the sale of her company, Marla now is very involved in the management of her money. To educate herself, she visited numerous family offices and at first just listened. “I searched for and listened to everyone who in any way dealt with high net worth people. I asked them what other people do. As I listened I got more sophisticated and began asking questions.” She also joined IPI, the Institute for Private Investors, and attended their Wealth Management Unwrapped course. She hopes to do a university course on wealth management shortly.

Marla notes, “The big mistake people make in learning about wealth management is the fear of asking stupid questions. I have told Team Marla to be prepared for stupid questions and that I may ask the same one 15 times. Also you should continue to listen to your business instincts in investing. I was never too impressed with Wall Street people. You know who you are. Listen to yourself.”

Marla has come to realize that supporting women-owned businesses through an angel investing group is something she wants to focus on as she moves forward. Angel investing also allows her to add to her and her daughters’ financial knowledge. Meeting others in angel investing also has the benefit of keeping her connected to the business world. To introduce her daughters to philanthropy, she is funding a small foundation for them to manage. Marla is managing her father’s large foundation and hopes that managing a smaller one will prepare her daughters to assume responsibility for it one day.

Marla is not sure what else is coming in her future. For now she is thrilled that she has had this time to reconnect so strongly with her daughters. “One of the highlights of selling a company is the ability of experiencing the here and now. When you are running a business, that is a blur going by. I am just trying to stay centered in the present.”

As for advice for others, Marla stresses that selling a company also changes the identity for everyone in one’s family. “I will never forget the look on my daughters’ faces when I told them I had sold the company. They had assumed that was where they were headed. Do not assume that your children are not thinking about taking over your company. I believe my children were disappointed that I had taken their future. They did not see I had given them a much different one, a future of choice. When you are in a family business, you have no choice and spend your life second-guessing what you could have done.”

“The biggest thing that an entrepreneur faces on a sale is the lack of structure and support. One needs to build one’s new team. Pour everything into a journal so a year later you can read it and recognize that you are in such a different place now. And then say wow.”

**“Selling a company changes the identity for everyone in one’s family. I will never forget the look on my daughters’ faces.”**

# Scott Walker

Age: 55

Now: Founder and Chair, ProCore Laboratories LLC, CEO EPIC Aviation LLC and Chair, Walker Center for Global Entrepreneurship at Thunderbird

Wealth Creation: Sale of BillMatrix in 2005

Scott was raised a “military brat,” the son of an Air Force Colonel. Graduating from Utah State University and receiving an MBA in Finance from Thunderbird School of Global Management, Scott spent his early career in banking, primarily in commercial lending at a series of domestic and international banks in Texas. He describes himself as a “late bloomer, someone with no clue of what he really wanted to do and just taking a series of good jobs.”

A highlight of this time was working for Lloyds Bank on transactions involving T. Boone Pickens. From Boone he learned “to look beyond what everyone is telling you, get behind the numbers, and look for hidden value.” He started to realize a lot of information was misrepresented and he witnessed many practices that he believed were questionable. As he came into his 30’s, it was the early 90’s and the savings and loan industry and M&A had crashed. After closing a large transaction in late 1990, he was shocked when he was laid off one month later.

At the age of 35, he was out of work for nearly two years. His wife left, taking their three-year old son. He lost his house and lived on unemployment in a small 600 square-foot apartment with three things left from the marriage: “a bed, a 52-inch TV, and a chair.” One of his saviors during this time was a friend who would occasionally pick up his beer tab.

After two years Scott decided to move out of the transaction world into a principal position for an operating company. He went back to work totally committed to never compromising again and to working for people and companies he respected. Scott is amazed that he came through this low period in his life and learned that “it’s the decisions you make and the principles you hold in the worst of times which will define your life.”

In 1995 he reconnected with William (Bill) Conley, an old friend and “business builder” and began the first of their many partnerships. Bill challenged Scott to quit his day job, which he did, and for a year he lived on \$500 a week building Direct Net Corporation, which the two founded. In 1996,

**“In the first years after selling, I made mistakes investing in the wrong people.”**



the company was shut down when the telecommunication laws changed. In 1998 Scott and Bill once again partnered and founded one2one Learning Foundation, which provided K-12 opportunities for students not in public or private schools. After putting the company's infrastructure in place, Scott became "bored." In 1998 he looked at gaining control of a small company with four employees that was failing badly.

On first look, Scott thought TelePay was the worst business model he had ever seen. However, the more he analyzed the business model, the more he thought he could create a successful enterprise. In February 1999, he struck a deal to buy the start-up for \$3 million. Scott worked tirelessly to clean it up and changed the name to BillMatrix. He spent the next five years building the company to approximately 300 employees and in 2005 sold it to Fiserv for \$350 million cash. Scott netted almost \$100 million.

Overnight, Scott had come from nothing and at age 50 was "overwhelmed." For two and half years, he remained CEO and adjusted to the fact that he now had three jobs: "my company, my family, and what I call 'Walker, Inc.' I had to figure out what I was going to do with all of that capital."

Scott was initially conservative about his new wealth. His first decision was not to touch the money for a year and to take the time to get used to his new status and identity. "Because of my background, I could not believe it was true. I kept wondering if 'they' were going to take it back." The only change he made in the first year was to pay off all his debt. He had lost his house earlier in his life, so paying off the mortgage on his home was his first action.

Multiple financial advisors told him to retire and clip coupons. "I was surprised that every advisor came in and told me to do basically the same thing. I felt the promise of a six or eight percent return was so low compared to my ability of possibly making 50% in my own deals." Scott admits that this was not as easy as he first imagined. He eventually asked an old friend to manage some of his wealth on a conservative basis. Currently he has about 25% of his assets managed by this friend at Credit Suisse, whom he greatly trusts. The rest of his money is in real estate and private operating companies.

Estate planning has been completed for his three children. Scott is open to having his children work with him in some capacity after they have at least five years of experience "on the outside." He believes in the Buffet philosophy of giving your kids "enough money but not enough." In the early days of "Walker Inc.," he gave a substantial gift to Thunderbird, which was a continuation of his lifelong interest in education. The gift founded the Walker Center for Global Entrepreneurship and is run by Dr. Robert Hisrich.

Scott freely admits in the first years following his liquidity event, he made mistakes by investing in the wrong people because of his innate optimism. One of his biggest mistakes was asking a "best" friend to manage his children's trusts and investments in a few operating companies. This friend subsequently lost all the money with questionable practices. However, Scott states that he has good relationships with most of his old friends and family, who respect how he recovered from his downturn.

Scott saw that the main driver in his new life would be to create another success like BillMatrix. A primary goal is to prove BillMatrix was not a fluke and that he can do it again by keeping the same principles, mechanics, and philosophy. "I believe I have developed a unique philosophy of managing finance and operations with a strong discipline that I can bring to any type of company and make it a success. This makes it easier for me to find and create new opportunities."

One evening in early 2006, the friend who had picked up Scott's bar tab years ago was complaining about contract fillers. That conversation led to the two of them starting a new company, ProCore Laboratories, a manufacturing contract fill company. ProCore opened its doors in March 2007 and is tracking to reach over \$50 million in revenue. Also in the last two years, Scott along with Bill Conley and others invested in a leading branded aviation fuel distribution company. He was recently appointed CEO and is working on projects in China.

In 2006, after he sold BillMatrix, Scott was recognized as Ernst & Young's Entrepreneur of the Year. "I love getting up in the morning. I want to create something else." He believes no one has won the award twice and has set this as one of his goals.

# Jerry Kennelly

Age: 50

Now: Philanthropic entrepreneurship and photographic projects; Starting new company, Tweak.com

Wealth Creation: Sold Stockbyte and Stockdisc

Jerry Kennelly was introduced to photography by his parents, press photographers in Ireland. They started a newspaper in 1974, and as Jerry grew up, he worked in every department. From the beginning photography was all around him, and it was expected that Jerry would become a photographer. He began taking photos at age 11 and started publishing his photographs in national newspapers a year or two later. Jerry left school at age 16. His goal was to become the best photographer that he could be. "I looked at the pictures everyone else was taking and tried to understand how they were doing them and how I could do them better."

Jerry had never pictured himself being rich. "Football scores were more important to me than money. I only spent time on things I enjoyed, and what I enjoyed was the visual world. It is all that mattered to me. I was passionate about photography. It was not work; it was a passion." Success to Jerry was taking the best picture or crafting the best one with colleagues. He loved seeing his pictures on the front covers of magazines.

Through the 1980's and into the early 1990's, Jerry's success evolved as a photo-journalist as his visual literacy grew. His aspirations also grew and he became involved in more sophisticated, more global and larger projects. He began working for clients all over the world. His first businesses were in the traditional areas of photography. He launched a business to do prepress work and a photo news agency business, selling the rights to news photographs to magazines and newspapers worldwide.

In the early 1990's the photography world went through a revolution, transferring itself from an analog to digital standard. The first change was that editors who needed photos no longer had the time to hire photographers for their assignments. Instead they started going to "stock photography" agencies. These agencies hold archives of already existing photographs that can be licensed typically then on an exclusive basis. The second change was that digital cameras, scanner, CDs, the Internet and digital printing changed the way photographs were generated, distributed to editors and then printed. Historically, anyone who needed to print a photograph needed a hard copy of the photograph, negative or chrome physically delivered to them. Digital photography changed all that, overturning a hundred years of tradition in using film and rights licensing.

In 1996 Jerry started Stockbyte, as one of the first photography agencies offering digital stock photo images to advertisers and publishers such as *Newsweek*, *Time*, and Saatchi & Saatchi. In time it expanded into digital delivery of other creative assets. Then in 2005 Jerry launched Stockdisc, which offered digital photos on CDs at very low prices for the lower end of the photography market. By using digital technology in new ways, his two companies were credited with producing the highest pro-rata profit and profitability per employee in the photography rights industry. Jerry also was honored with the Deloitte Fast 50 award, the Ernst & Young Emerging Entrepreneur of the Year award and the DHL Exporter of the Year Award. In 2006 Getty Images bought Jerry's two digital photo companies for \$135 million. Jerry was 46.

What surprised Jerry most after the sale of Stockbyte was not related to his personal life. Rather, it was the positive way in which the sale was perceived in Ireland. He had been concerned for the staff — all of whom were to lose their jobs after a few months — even though he had negotiated a generous payoff from the purchaser and donated five million euros tax-free to his team of 28. “There was tremendous pride, locally and nationally, that an indigenous Irish company which had been pretty much under the radar to that point, could create such value. People were very proud of what we had achieved and the way we dealt with our team was noted by pretty much everyone who commented on it,” he said.

Jerry’s philanthropic work since selling his companies has involved his two life passions of photography and entrepreneurship. Jerry is known for his personal involvement in the projects he chooses and for striving for a multiplier “entrepreneurial” effect so his efforts have broader impact. One example is his work with the Press Photographers Association of Ireland and GOAL, a non-profit headquartered in Ireland that has humanitarian programs in the sub-Saharan region, Asia and Latin America. In organizing photo shoots in Africa and Asia, he has given citizens of those continents the ability to tell their story in a visual way. Taking his commitment a step further, he has helped to publish calendars and arrange exhibitions that generate revenue for the charity and directly impact the local communities.

Jerry’s other passion is educating and assisting young entrepreneurs. In conjunction with The Institute of Technology Tralee and Shannon Development’s Kerry Technology Park, he spearheaded a young entrepreneurs’ program, which has been experienced by over 1,600 students in its first three years. Hundreds of Ireland’s leading entrepreneurs have acted as mentors for the students. “Most important is that we open their eyes to the possibility of working for themselves instead of someone else.”

Jerry recently launched another venture, Tweak.com, which is seeking to ‘democratize the world of design,’ offering small and medium businesses around the world the highest standard of design for as little as 10% of what it cost them through traditional design agencies. Tweak promises to be as creative an enterprise as his others.

The sale of Jerry’s photo companies was recognition that innovative businesses developed in a Technology Park in Tralee, Ireland, could compete effectively in the global market, so he is well-positioned for another success. Some might see maintaining his high standards while living in what he described as “a remote part of the world” as a challenge,

but he relishes searching for talent everywhere and knitting the talent pools into robust and sustainable teams.

Jerry recognizes that the investment process is not his strongest skill and that he must carefully watch his hard-earned assets. He has assembled a team of advisors to look after his investments, which are managed by two internal employees who work exclusively for him. He personally is most interested in active management and creation of new companies and has about 10% of his wealth in new companies. He meets with his advisors at least four to six times a year to examine their investment strategies. He has done some estate planning for his family. However, he does not plan to have his sons involved in any of his businesses as he does not “believe in second generation businesses.” He believes it is up to them to create their own dreams.

Jerry’s liquidity event may have given him more choices, but he still retains the same core values. One change is that he now has the option to fly privately rather than commercially, which he does occasionally. “I can concentrate some more time on looking after myself now and train four days a week, which I could never find time for before. I’ve probably become better at time management, because I’m getting a lot more done than I’ve ever achieved before. I stay very busy between setting up our new ventures and engaging in important not-for-profit work, which I enjoy very much, too,” he says.

Jerry has not found any negative to having wealth. “With my new wealth, some people perhaps see me in a different way, but the people I choose to spend time with do not. Perhaps some people gravitate to people who have wealth, but I think that kind of shallowness is easy to spot.” He points out that he lives in a small community, as only five million people live in all of Ireland and thinks perhaps that is what has kept him grounded. He states that his compatriots would not tolerate arrogant or high-handed behavior. He points out that he still lives in a small rural community only 25 miles from where he was born.

His advice to others: “After a sale, be sure to take the time to reflect on what was good and bad about the experience of ‘getting here’ and the mistakes to avoid next time. Don’t do something for money — only spend time doing things you are really passionate about and that are great fun.”

# Lynn Morgen

Age: 62

Now: Founding Partner, MBS Value Partners

Wealth Creation: Sale in 2000 of Morgen-Walke Associates, Inc.

Lynn Morgen grew up in the middle-class area of New York City. Her father, a German immigrant, after years of working in other people's factories, founded his own hat factory in New York in the 1950s. Graduating from City College of New York in 1968, Lynn was the first person in her family to earn a college degree. Lynn points out that "at that time, female college graduates were directed toward careers in nursing, teaching or social work. I chose social work."

It was by chance, then, her first job was at Dun & Bradstreet. At that time D&B had one of the best training programs for learning about finance and credit. Lynn was trained as a credit reporter and learned how to read balance sheets and profit and loss statements. Her initial salary was \$5,400 a year and as rewards, she was given bonus points for items such as toasters.

Dun & Bradstreet offered her a position in their Brussels office and a year later she left D&B for a position in a stock brokerage firm and became one of the first women to do institutional equity sales. In 1975 she returned to the U. S. and worked in institutional sales and then again by chance discovered investor relations. "I was invited to attend an investor day for Beech Aircraft, which was the first time I heard of investor relations. I realized it was a perfect fit for me. I understood the capital markets, was a good financial writer and had experience providing investors with ideas."

Lynn's job search quickly landed her a position in investor relations with a small firm called ECOM Consultants where she worked from 1978 to 1982 and became the senior person in investor relations. The owner was not willing to offer her the opportunity to earn a significant equity position. "I decided to take the risk of forming a 50/50 partnership with a former colleague and starting my own firm. I put all the money I had at the time, \$10,000, into the start-up."

When she started her firm, Morgen-Walke Associates, in 1982, her dream was solely to create the best investor relations firm. She had no thought of selling it. "I did this for the experience of building something special, that I could direct and from which I could earn a good salary. We succeeded beyond my wildest imagination."

From 1982 until it was sold in 2000, Morgen-Walke grew to \$25 million in revenues with offices in seven cities and 180 employees. As the company's growth accelerated, it began to outgrow the entrepreneurial environment and needed much greater investment in people and research technologies. "The late 1990's were a good and bad time for us as we had growth from the large number of companies that were going public, but we also had high personnel turnover." To keep the quality of work high for both domestic and international clients during this period of high turnover, Lynn started working exhausting hours, typically from 5:00am until 8:00pm.

If it had been up to Lynn alone, she would not have sold the company. “It was my third child.” For years Lynn and her partner were courted to sell. The proposal that won her over was from a private equity group that wished to do a rollup of business services firms and take the expanded group public. Morgen-Walke was purchased by the group in January. However, by March 2000 the market had started to decline and there was no longer investor appetite for an IPO of this size. As soon as it was clear that going public was not in the cards, Lynn was told that the group would sell to an existing company, the publicly traded London-based communications firm, Cordiant. The cultural difference was quickly apparent: Cordiant wanted to announce the acquisition on July 4th.

Lynn left Morgen-Walke in October 2000 with a five-year non-compete that precluded her from working as an investor relations consultant but allowed her to work as an in-house employee. Leaving was a very difficult decision for Lynn, but as she explains, “I am very good at anticipating. I anticipated that if I stayed, I would be presiding over the demise of the firm that I had built.”

During her non-compete, Lynn joined one of her former clients and served as Group Vice President and member of the Strategic Planning Group of STMicroelectronics N. V., Europe’s largest semiconductor company. She opened their corporate office in New York, received a good compensation package and had frequent access to the CEO. It was a great position, but she was an entrepreneur now on a “slower-moving boat.” In 2005 with the CEO retiring and the end of her non-compete, she left STMicroelectronics.

Lynn initially wanted to take some time off and tried to do so. But, after a few months of cooking and baking, her family encouraged her to go back to work. She decided to take a small office and do some projects. Then Lynn offered to help one of her former partners, who had started a small investor relations firm. Lynn came to the office to head up a couple of projects and never left.

Inspired by the opportunity to make a difference, Lynn got together with her former partner and another colleague to relaunch an investor relations and financial communications firm, MBS Value Partners. “While in some ways this is a successor firm to Morgen-Walke, we see it as very different. The three partners are very engaged with the clients, with the rest of our staff comprised of senior people. We do not have the big advisory firm business model.” As she looks at her new business, she sees that her time spent working at STMicroelectronics has made her more empathetic with her clients, as she now knows how long it can take to implement real change in a big company.

Lynn sees that she may be coming into a new phase as she has joined two non-profit boards of great interest to her. One works on training disabled people for work, and the second educates girls in rural areas of India.

Over the years of building her company, Lynn made quite a lot of money. Because of her background and business, Lynn was comfortable with wealth management and invested initially with Wall Street people whom she respected and considered very smart. However, she found that they were not always good at reading market trends and lost money with most of them. Since then, she manages her money very conservatively, with the majority of her portfolio in municipal bonds.

Her advice to other entrepreneurs is to fully think through what is best for them before leaving the companies they have built. She believes that she should have taken more time to evaluate her own strengths and objectives before committing to five years of working with a former client. “I enjoyed my tenure at ST but I did not really explore other options. I was too emotional about the prospect of being a powerless CEO at Morgen-Walke.” She still misses Morgen-Walke.

**“If it were up to me alone, I would not have sold the company. It was my third child.”**

# Michael Sonnenfeldt

Age: 54

Now: Founder and Chair, TIGER 21 and Chair, SOL Inc.

Wealth Creation: Sale of Emmes & Co. in 1998 and Harborside Financial Center in 1986

Michael Sonnenfeldt grew up on Long Island. His father who had escaped from Germany was drafted into the U.S. Army and became Chief Interpreter of the American prosecution at Nuremberg. He went on to become a successful engineer. Michael was introduced to the real estate business at the age of 17 by his eventual father-in-law and then received his Bachelor and Master degrees in finance from MIT. "I got a degree in high finance from MIT. My father-in-law was a self-made man from the streets of Brooklyn who taught me real-world finance."

He began his career in real estate at Goldman Sachs and then went to work for his father-in-law. In 1979 at the age of 24, he conceived what was then the world's largest commercial renovation: to transform the decaying Harborside Terminal in Jersey City with 2.4 million square feet into office space. It took him two years to find a partner and financing to close the deal. In 1986, after establishing Harborside as one of the largest and most successful commercial renovation projects in the world, they sold it as The Harborside Financial Center to US West Pension Fund.

Michael was 32 years old. He notes that when "you are 32 and sell your first business and make a lot of money, it is very different than when you sell at 62." In the Harborside project, Michael was a 50/50 partner with a man twice his age. Both had 99% of their wealth in this project. In hindsight, it was the perfect partnership, but at the time Michael was reluctant to sell. "I was the king of my company, had a hundred employees, and could imagine generating endless amounts of money in the future." At 32 he had not planned to sell; his 60 year old partner had planned it from day one.

Michael had achieved financial success but had little to do. "I had been working on this project for six years 90 hours a week, doing and thinking little else. I faced a void and needed to completely reinvent myself." At age 32, the last thing he was thinking about was wealth preservation. "The counterpoint in selling a business at 62 that you ran for 40 years is that you realize that it took years to make the money and the likelihood of your doing it again is incredibly low. You are predisposed to wealth management. At 32, it is the exact opposite. I was thinking this took just four years and I can easily do it again."

**"Selling a company at age 32 is very different than selling one at 62. At 32 the last thing I was thinking about was wealth preservation."**

Over the next few years, Michael was “much looser” with his money than he is today. He gave away significant amounts, spent too much on multiple homes, and put a lot of his wealth into some investments in what he calls a “cavalier” way. He also tried his hand at building another venture and tried to create the first national on-line real estate information service before the Internet. His company grew fast through the late 1980’s, but its key market contracted by 50% in 1991 with the S&L real estate crisis. This “loose” handling of his wealth and the failure of this business wiped out a meaningful portion of his wealth earned at Harborside.

Michael can give business reasons why that venture did not go well, but what matters to him is that it was his wake-up call. He learned that he was out of touch with what had led to his success. He had been successful at real estate with skills that did not transfer to information services.

The next business Michael started was Emmes & Company. It was even more successful than Harborside and was built on skills he knew he had. Emmes was a real estate investment boutique that was a major buyer of distressed portfolios in the early 90’s. It had grown to over a billion dollars in assets at the time Michael sold his interests in 1998. However, Michael remembers that when he founded Emmes, he was a little “ashamed. I had wanted to be in technology, something that displayed my creativity. All I could do was ‘crawl’ back into real estate, something I seemed to have an instinct for. I remember a very emotional time.” Michael believes after selling a company, many entrepreneurs try something new and may spend lots of time and money chasing something that they are ill-equipped to do.

Michael never would have sold Emmes if he had not sold Harborside and enjoyed that personal growth. “I was clamoring for stepping off the merry-go-round and reinventing myself again. At 32, I was unaware of how lucky I was to have the first cash out opportunity; this time at 43, I was acutely aware. I was determined not to lose a penny.”

While the CEO of Emmes, Michael had enjoyed and benefited from his experience in a peer learning group for CEOs. He knew that he wanted to create and continue a similar experience but focus that experience on the life of the wealth preserver after selling a business. In 1999, he founded TIGER 21, an acronym for The Investment Group for Enhanced Returns for the 21st Century. “In founding TIGER 21, I tried to create an experience for post-entrepreneurs to learn and adjust to the transition to wealth preservers.”

“Most people who create wealth in America are Main Street entrepreneurs, not Wall Street entrepreneurs. They create products and services. Main Street entrepreneurs are often isolated, the only person in their social circle with their financial success. Wall Street entrepreneurs create their wealth with partners and typically have a social circle of similar wealth. The Main Street entrepreneurs come to TIGER 21 looking for a community where they can discuss what is really on their minds: how to raise children of affluence, how to preserve wealth and do estate planning, how to decide what is appropriate to spend, how to find advisors who can be trusted, how to gain a perspective on their philanthropic work, and how to decide what to do next.”

Over the last 20 years, Michael also has supported a solar lighting manufacturer, Sol Inc., with a growing financial commitment. Recently, Michael has taken on an executive role as Chair and President. He hopes that Sol will be his third entrepreneurial success.

Michael’s advice regarding the decision to sell a company starts with the observation that some entrepreneurs do not sell when they should because they have not thought through the evolution of a market and lose an opportunity out of ego or unrealistic optimism. On the other side, some entrepreneurs sell too early, not realizing the value of the platform they have created. Selling in the current financial environment, one should put a premium on any continuing income as part of a deal and look hard at one’s post-sale economics. “Stepping off the spinning carousel of a going business changes everything in an entrepreneur’s life. In the best of circumstances it is the greatest gift of all because of all the new things one can do but one needs to be realistic about how different it will be and plan for it wisely.”

## CONCLUSIONS AND RECOMMENDATIONS FROM THESE STUDIES

The key conclusion from this paper is that most entrepreneurs underestimated the dislocation and disorientation triggered by a significant wealth creation event. A significant wealth creation event should be a time for celebration of accomplishment and success and should lead to a time of positive excitement and anticipation of possibility and new chapters. However, most entrepreneurs began the process of selling a company without consciously thinking and analyzing exactly what were the benefits of the company and what exactly were the skills the entrepreneur had that created the valued enterprise. Because of this lack of analysis and planning, entrepreneurs were often blindsided by the resulting dislocation and feelings of loss and sadness and difficulty in finding new fulfilling work.

Over and over, entrepreneurs stated that they wished they had thought more about these issues before the sale and considered all of their options, including the possibility of selling only a piece of their companies. They also consistently stated that they wished someone had warned them how

disorienting a sale would be and had highlighted that their companies gave them their prime community for relationships, their identity and purpose and structure for their time. Thinking about the loss of those critical human needs and doing some preplanning for their replacement before the sale was the number-one recommendation entrepreneurs offered.

It also appears that the more the company represented the entrepreneur's identity, the more sadness the entrepreneur felt on the sale. Entrepreneurs who were single without a family and women who often had closer ties with employees often had a more difficult time coping with the loss. Entrepreneurs who had other identities as family members or roles in civic, philanthropic, or other business institutions appeared to weather this transition more easily. Entrepreneurs under 40 seemed to be more comfortable with the challenges of reinvention and seemed to experience greater acceptance of change and reinvention as normal.





It is interesting to note that the issues that entrepreneurs faced around their new wealth tended to be about personal transition. Contrary to what one might expect, few entrepreneurs experienced serious problems with family or friends because of their new wealth. A few mentioned occasional strain with family and friends who expected handouts or were not appreciative of gifts. However, positive stories of strengthened ties with family and friends were the predominant experiences.

The second key conclusion is that entrepreneurs have difficulty finding wealth advisors who they trust or can work with, and that there may be some disconnect between what entrepreneurs are looking for and how wealth managers traditionally work. Wealth management professionals interviewed for this paper consistently said that entrepreneurs had difficulty in wealth management because they could not give up control. Entrepreneurs by nature manage risk by controlling as much as they can. They also have created wealth by concentrating on one focused activity. Traditional wealth management encourages diversification and has typically been geared to passive investors who entrust financial decisions to their advisors. Entrepreneurs should recognize that their needs as investors might be different from those of traditional wealth management clients and look for advisors who are willing to teach and recognize that entrepreneurs by nature will be looking for more active involvement in the management of their wealth. Entrepreneurs found that peer learning networks appealed to them because of this need.

The last key conclusion is that most entrepreneurs were very surprised about the length of time that it took to find the next fulfilling chapter of their lives and to learn about wealth management. Over and over, entrepreneurs stated that it took years to find their next successful venture. While they reported that they enjoyed the growth from this time of self-renewal, they were surprised about how many things they had to try before they once again felt fulfilled. It was common to attempt another entrepreneurial venture and other activities that failed before once again finding success.

Accordingly, certain challenges and stages appear predictable in the transformation from entrepreneur to person of significant new wealth. Some of these challenges may be avoidable or shortened by being aware and following simple advice. Others, however, may be inevitable challenges of the stages of this journey. The stages of the journey appear to be fourfold, as modeled by Frederick Hudson. The first stage is before the sale of the company when an entrepreneur just may want to sell without carefully exploring all options; the second is typically the first two years after the sale when an entrepreneur may feel real sadness, confusion, and loss of identity; the third is sometimes up to three to five years of experimenting and learning, and the fourth is a possible return to a meaningful and satisfying new chapter of life.<sup>18</sup>

Learning about wealth management also has four stages. The first involves decisions to make and actions to take before the sale in order to be best prepared; the second is the stage of taking time immediately after the sale to become comfortable with the new wealth and to understand what kind of investor one wishes to be and what one wants to do with the wealth; the third stage is putting a plan for the wealth in place and learning about how to manage it; the fourth stage is having one's money working for one's next goals and family, friends, and community.

**Most entrepreneurs were very surprised about the length of time that it took to find the next fulfilling chapter of their lives and to learn about wealth management.**

---

<sup>18</sup> Hudson, Frederick M. *The Adult Years: Mastering the Art of Self-Renewal*. Jossey-Bass, 1999.

## Before the Sale and the Decision to Sell

The case studies show a number of things that an entrepreneur should consider before selling a company. All are around the theme of coming to understand one's self and the true benefits one is deriving from the company. Before selling, entrepreneurs should think about why they and their companies are successful. What are their true skills, and what is the business model that has led to success? Is it repeatable?

In addition to not knowing the strengths that made them a successful entrepreneur, entrepreneurs may also not truly understand the full intrinsic benefits they are receiving from building their companies. An entrepreneur should work hard to understand what the company is delivering financially, psychologically, and socially. Some of our cases regret selling, and none seemed to appreciate the true importance and benefits of their companies before the sale. Is the entrepreneur's social network totally made up of people connected to the company or industry? How much of one's time is spent working, and what are the less obvious needs being fulfilled by this intense work? As identified by Jeri Sedlar in *Don't Retire, Rewire*, work can supply up to 85 drivers beyond money, such as escape from reality, creativity, ego boost, excitement, leadership, and recognition.<sup>19</sup>

If one understands the degree to which the company is supplying meaningful personal relationships, use of time, and sense of purpose, one can take steps to begin building other social networks, uses of time, and sources of purpose before the sale is final and the transition begins. As one thinks about selling, one should actively build other roles in civic, philanthropic, and business institutions; having other connections will somewhat soften the disorienting impact of a sale.

Another key area is the financial implications of selling. Accessing professional financial advisors long before the sale of a company can help gather this information and suggest options. Professionals also can help to improve pre-sale estate and tax planning, adding significant financial benefit. Understanding one's spending needs and expectations about inflation, tax changes, and true returns with appropriate risk are things to learn about early in the process. Other specific ideas for things to do before the sale of a company suggested in this paper include:

- Consider setting up trusts and foundations before a sale.
- Have a clear and thorough understanding of the real income that needs to be replaced.
- Be realistic about returns one can earn from safe financial assets and whether they will cover one's expenses.
- Consider a partial sale of the company.
- Do thorough diligence on the buyer if stock or an earn-out is part of the deal.

All of these considerations may lead to a decision not to sell or to sell only a piece of the company. They may also suggest hiring a new CEO and becoming chair and pursuing some activities such as teaching entrepreneurship, engaging in angel investing, or others presented in the list in "Stage 3" on page 34. If the decision is made to sell, this analysis can secure better financial planning, a better deal on the sale and a more realistic appraisal about how difficult the transition can be. Typical better outcomes could be a deal that includes ongoing income or office and other soft support.

<sup>19</sup> Sedlar, Jeri and Miners, Rick. *Don't Retire, Rewire: Five Steps to Fulfilling Work that Fuels your Passion, Suits your Personality, or Fills your Pocket*. Alpha, 2003.

## The First Year After the Sale

However, even those people who had done some planning for the sale and were more conscious about the coming disorientation reported a difficult to extremely difficult time in the first year or two after the sale. The consistent theme is the mourning for the lost community and identity, the need to find structure, and the need to find new meaningful things to do with one's time. The first year often goes in one of two directions. One direction is exotic travel and renovating or buying homes, activities that often leave feelings of disappointment at the lack of fulfillment. Another road is a period of over-planning and jumping at all possible opportunities, followed by a period of weeding out unfulfilling activities. Books and retreats geared to helping people through transitions, seeing a life coach, and journaling are all mentioned as helpful in this first year.

Entrepreneurs who have sold a company advise doing little in the first year except for time-sensitive tax and estate planning with the new wealth, giving oneself and one's family time for the adjustment. Time is needed for thoughtful decisions on how the wealth can be used to move one and one's family forward. One should be sensitive to the impact wealth creation has on one's family and friends. A wealth creation event is disorienting for all family members, as everyone's identity has changed. Spouses and children also can be resentful about new demands on their time and changes in their routines. Most entrepreneurs seem to have deeper relationships with true friends and most family members after the wealth creation event. However, there are stories of divorce and family turmoil if values are not shared. There are also stories of expectations for handouts and other help.

Again, a key theme for success is going slowly with any changes after a wealth creation event. One should think about what one truly wants to accomplish and be careful about the motivations for giving gifts and making changes. Waiting to give away money to friends, family or philanthropy is advised until one is clear about new identity, spending levels, and purpose.

Most mention that one of the biggest challenges of the first year with wealth was the difficulty of finding trusted financial, estate, and tax advisors. Many mentioned the benefit of joining independent peer learning groups for high net worth individuals such as TIGER 21 and the Institute for Private Investors and taking the wealth management courses offered by many universities. Many recommend meeting with a number of advisors and asking lots of questions before making a decision about advisors and investment strategies. There were also recommendations to invest money very conservatively for at least the first year.

Accordingly, the first year of this journey is one of many questions:

- What is the right path for my next step or steps?
- How am I going to find that?
- How am I going to replace purpose, community, structure for my time?
- What will make me happy now?
- What is there left to achieve?
- What books, models for reinvention, coaching, and seminars could help me?
- How can my money move my life towards my goals?
- How should I manage my money?

## Planting Some New Seeds

Entrepreneurs must always be learning and doing something. None of the entrepreneurs interviewed for this paper ever considered a long-term life of leisure. The next chapter for entrepreneurs involved work.

Towards the end of the first year after a sale, cases typically began experimenting in a new committed activity. The activities at the start of this stage did not typically end up being ones of continued major involvement. However, they were seen as experiments that lead to new learnings. They also may become activities that are continued in the background as a new chapter begins. Experiments included activities in the arts, government, teaching, mentoring, non-profit and for-profit boards, and returning to old interests or learning something new.

Starting another company and doing angel investing appear to be universal next steps. Most entrepreneurs quickly find themselves investing in other people's companies. Many eventually find more financial and psychological fulfillment by focusing on areas of interest such as women-owned companies or a certain business model or industry. Entrepreneurs also tend to be more successful if they stick with what they know, limit the size and number of these kinds of investments, and give time and wisdom.

Many entrepreneurs dream of building another company. However, often entrepreneurs are not aware of why they were successful. Some are out of touch with their unique strengths. Because they cannot see their strength, they cannot leverage it. Others are glaringly overconfident, think they are geniuses for making their money, and do not recognize the role luck had in the creation of their success. Repeatable entrepreneurial success requires an understanding of one's skills and talents. A repeatable business model also is a theme to successful serial entrepreneurship. It is common for entrepreneurs to fail in a second business as they test new interests and may not understand their true skills and talents. A serial entrepreneur more typically succeeds again in the third or fourth venture.

As one wrestles with learning about wealth management, key questions are:

- How can I know if I have enough?
- Should I spend it, leave it to children, give it away, or leave it to Uncle Sam?
- How do I find advisors who can be trusted?
- How involved do I need to be in the management of my money?
- What do I need to do legally, such as setting up wills and foundations?

In this stage of learning about wealth management, the most challenging issue was learning how difficult it is to make the returns potentially made by investing in one's own or another private company. Many made the mistake of investing in too many and too risky companies. Over time they learned to be more focused and to invest only in deals they understood. They also learned that preserving their wealth was their highest priority.

Specific ideas for wealth management are:

- Invest proceeds extremely conservatively until comfortable with one's new priorities.
- Join a peer learning group and take a wealth management course.
- Build a formal financial plan.
- Find advisors who are interested in teaching.
- Understand one's real return after taxes and how advisors are paid.
- Do not give away too much money too early to family or charities and wait to do estate planning.
- If stock in the acquiring company is part of the deal, be careful about holding on to too much stock.

## In the Flow Once More

In a couple of the cases, the entrepreneurs found their next fulfilling activity within a year or two of a sale. Both of these cases also started a significant not-for-profit entity in the same time frame. Two found their next chapter six and nine years later. However, for the other cases, the next chapter continues to be elusive for three years or longer. Many did exceptional things in this stage of so-called unfulfilling wandering, such as traveling to exotic places, writing books, starting foundations and family offices, mastering complicated investment theories and practices, and launching interesting but failed companies. However, the cases could not state that they were in their next fulfilling chapter until they once again were absorbed by what they were doing. Ironically, however, they also noted that in this next chapter they would not be totally absorbed again and would continue doing other activities such as philanthropic and civic work, teaching, investing, and other things they had acquired as activities and interests on their road to the new chapter. Harmony with family and true friends was also a part of this next chapter.

In this later stage of learning about wealth management, most came to care about preservation and adopted a conservative investment philosophy for their liquid investments. Most found trusted advisors and settled on a percent managed by the advisors and a percent managed by themselves. Most continued to keep a percentage of their investment in private direct investments into companies on a more selective and focused basis. Also in this later

stage, foundations and estate plans had been created. Most entrepreneurs interviewed chose to leave large sums in their estates to philanthropic institutions and chose to leave relatively small amounts of money to their children or grandchildren.

We hope that these conclusions and recommendations can help an entrepreneur better and more quickly navigate this transition. We also hope that this paper helps those who support these people both formally and informally as family, friends, and advisors gain a clearer picture of the issues an entrepreneur faces in this transition. One's wealth creation event should be an event to move one and one's family forward to new harmony and fulfillment. These goals can be achieved through understanding the potential challenges of finding one's next identity and learning the principles of good wealth management. With some understanding and foresight, a significant wealth creation event can be a time for positive celebration of accomplishment and anticipation of an even greater next chapter.

**Most entrepreneurs interviewed chose to leave large sums in their estates to philanthropic institutions and chose to leave relatively small amounts of money to their children or grandchildren.**

# RESOURCES

The following are resources, which may provide additional information regarding the topics discussed throughout the paper.

## Books

Bradley, CFP, Susan. *Sudden Money: Managing a Financial Windfall*. John Wiley & Sons, 2000.

Frank, Robert. *Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich*. Crown Publishing Group, 2007.

Hausner, Ph.d., Lee. *Children of Paradise: Successful Parenting for Prosperous Families*. St. Martin's Press, 1990.

Hudson, Frederick M. *The Adult Years: Mastering the Art of Self-Renewal*. Jossey-Bass, 1999.

Hudson, Frederick M and McLean, Pamela D. *LifeLaunch: A Passionate Guide to the Rest of Your Life*. Hudson Institute Press, 2006.

Peck, Judith Stern. *Money and Meaning: New Ways to Have Conversations about Money with your Clients*. John Wiley and Sons, 2008.

Phillips, Kevin. *Wealth & Democracy: A Political History of the Rich*. Broadway Books, 2002.

Sedlar, Jeri and Miners, Rick. *Don't Retire, Rewire!: Five Steps to Fulfilling Work that Fuels your Passion, Suits your Personality, or Fills your Pocket*. Alpha, 2003.

## Website

Kauffman Foundation [www.kauffman.org](http://www.kauffman.org)

### Peer learning groups for high net worth people

Institute for Private Investors (IPI) [www.memberlink.net](http://www.memberlink.net)

TIGER 21 [www.tiger21.com](http://www.tiger21.com)

# ABOUT THE CONTRIBUTORS

## **Columbia Business School's Eugene Lang Center for Entrepreneurship**

**Barbara B. Roberts** is the lead author of this paper and Advisor to the Lang Entrepreneurship Center of the Columbia Business School. Barbara is recognized as an expert speaker and writer on all stages of entrepreneurship from start-up through exit and reinvention. She began her career on Wall Street, where she became the first woman on the board of Dean Witter. She then became a serial entrepreneur and experienced her own wealth creation events and after-exit transitions as President/CEO of four privately held companies, including FPG International and Acoustiguide. After selling her last venture, Barbara studied the cycle of reinvention and coaching at the Hudson Institute of Santa Barbara. She now works with CEO's of privately held companies as a board member and as a coach/consultant through all stages of entrepreneurship from start-up sale and reinvention. She also works with entrepreneurs at TIGER 21, the Women President Organization and the Lang Entrepreneurship Center of the Columbia Business School. Contact [barbara@brobertsco.com](mailto:barbara@brobertsco.com)

**Murray B. Low** is the Director of The Eugene Lang Entrepreneurship Center, Columbia Business School and is an experienced entrepreneur and a leading authority on entrepreneurship in independent, corporate and not-for-profit settings. As the founder of the Columbia Entrepreneurship Program in 1990, he has worked to make entrepreneurship a viable career option for MBA graduates. He has also worked to improve business education in developing countries, particularly in Africa. Low consults to both small and large companies, family businesses and not-for-profits. He teaches executive seminars in the areas of entrepreneurship and strategic management and makes frequent presentations to academic and industry groups. He has published widely in academic and practitioner journals and is a regular commentator in the media. Professor Low holds an MBA from Simon Fraser University and PhD from the University of Pennsylvania.

**Eugene Lang Entrepreneurship Center at Columbia Business School** aims to create a community of business practitioners with a lifelong commitment to achieving social and economic progress through entrepreneurship. Entrepreneurship is integrated throughout the core MBA curriculum. The Center generates research and case studies on entrepreneurship and offers a comprehensive program of specialized courses, labs, workshops and funding opportunities. This report was made possible with funding from Credit Suisse.

For more information, visit [www4.gsb.columbia.edu](http://www4.gsb.columbia.edu)

## **Credit Suisse**

**Barbara Reinhard** is a Managing Director of Credit Suisse in the Private Banking & Wealth Management division, based in New York. She is the regional Chief Investment Officer for Credit Suisse Private Banking Americas, responsible for strategic and tactical asset allocation and investment strategy. She serves as a member of the Private Bank Investment Committee, the Global Economics and Strategy Group, the Credit Suisse Pension Investment Committee, and the Americas Diversity Committee.

Ms. Reinhard joined Credit Suisse as a Managing Director in 2011. Before joining the firm, she was at Morgan Stanley, where she was a Managing Director and Deputy Chief Investment Strategist for the Wealth Management division. She earned her B.A. from Trinity College and is a CFA charter holder.

**Bill Woodson** is a Managing Director at Credit Suisse and Heads its Private Banking North America Ultra-High Net Worth (UHNW) Business. He also manages the firm's Family Office Services practice that provides investment advisory and family office services to wealthy families and institutional private clients. Mr. Woodson joined Credit Suisse in 2007 from Merrill Lynch where he oversaw an integrated advisory practice for UHNW families. Previously, he was one of the first employees at myCFO.

Mr. Woodson began his career as a CPA at Arthur Anderson where he spent a decade providing domestic and international tax advice to wealthy executives, families and business owners. He has a master's degree in accounting from New York University's Stern Graduate School of Business and a bachelor's degree in economics from the University of California, Irvine.

### Important Disclosures

This is provided to you by Credit Suisse Securities (USA) LLC ("CSSU") for your information only. This is not intended to be an offer or solicitation to purchase or sell any security or to employ a specific investment strategy. No part of this material may be reproduced or retransmitted in any manner without the prior written permission of CSSU. CSSU does not represent, warrant or guarantee that this material is accurate, complete or suitable for any purpose or any particular investor and it should not be used as a basis for investment decisions. It is not to be relied upon or used in substitution for the exercise of independent judgment. Information and opinions expressed by us have been obtained from sources believed to be reliable. CSSU makes no representation as to their accuracy or completeness and CSSU accepts no liability for losses arising from the use of the material presented.

This material does not contain all of the information that you may wish to consider and it does not take into account your individual situation or circumstances. CSSU does not provide, and nothing contained herein should be construed as, tax, accounting or legal advice; you should consult your personal accounting, tax, and legal advisors to understand the implications of any investment specific to your personal financial situation.

The term "Credit Suisse" is the global marketing brand name for the investment banking, asset management and private banking services offered by Credit Suisse Group subsidiaries and affiliates worldwide. Unless otherwise specified, the term "Credit Suisse Private Banking" generally refers to the combined capabilities of Credit Suisse Group subsidiaries and affiliates that provide private banking services to high net worth clients worldwide. The term "Private Banking North America" generally refers to the private banking business within CSSU. Each legal entity in Credit Suisse Group is subject to distinct regulatory requirements and certain products and services may not be available in all jurisdictions or to all client types. There is no intention to offer products and services in countries or jurisdictions where such offer would be unlawful under the relevant domestic law.

Private Banking North America is a business in CSSU, which is a US registered broker dealer and investment adviser. CSSU and its Private Banking North America business are not chartered banks, trust companies or depository institutions. They are not authorized to accept deposits or provide corporate trust services and are not licensed or regulated by any state or federal banking authority. References to the Private Banking North America business refer solely to the private banking business in CSSU.

Internal Revenue Service Circular 230 Disclosure: As provided for in Treasury regulations, advice (if any) relating to federal taxes that is contained in this communication (including attachments) is not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any plan or arrangement addressed herein.

©2013 CREDIT SUISSE GROUP AG and/or its affiliates. All rights reserved.

CREDIT SUISSE SECURITIES (USA) LLC  
Private Banking North America  
Eleven Madison Avenue  
New York, NY 10010

[www.credit-suisse.com](http://www.credit-suisse.com)