



The Right Way to Quit Your Job and Launch a Startup

By Marco Terry

One of the most stressful parts of being an entrepreneur is quitting your job to work full-time in your startup. You are jumping into the precipice of the unknown, hoping for the best. This leap is one of the most important phases of the startup process.

Many entrepreneurs don't handle this phase well. They **quit their job before they are ready**, they don't prepare thoroughly enough, or they resign the wrong way. Regardless, this misstep will affect your startup. This transition is a critical for your business. You can't afford to make a mistake.

From this article, you will learn:

- What you need to do before you quit your job
- The smart way to build a personal budget (hint: it's really easy!)
- How to avoid the biggest mistake
- How to resign in a professional way



Preparing for the Transition

Going from full-time employee to full-time entrepreneur requires a lot of preparation. The amount of effort depends on a number of factors. Your income, expenses, and responsibilities are all important considerations. These factors also determine how much and for how long you need to prepare.

Most people can prepare adequately for the transition as long as they are smart, patient and determined. Your objective should be to remain employed and draw a salary for as long as possible. Make the transition only once everything is fully prepared. Consider the following:

1. Do you have a business idea in place?

You should not quit your job unless you have a business idea that is fully developed. Often, entrepreneurs think that a business plan qualifies as “fully developing” the idea. Unfortunately, this is often not the case. Most business plans are developed using “fill in-the-blank” templates and are seldom adequate.

Fully develop the plan by thinking through contingencies and business processes. Think of most scenarios and develop ways to approach them. Run market tests and build prototypes to ensure the idea is viable. Expect this process to take a long time – months, not weeks.

2. Do you have financing in place?

Finding financing is often similar to getting married. You have to find suitable candidates, court them, and hope that they say yes. Often, this process takes just as long as finding a real-life soul mate. Don't quit your job until you have found a way to finance the initial stage of your business.

By quitting before you have financing in place, you risk running out of resources before you can even launch a business. If you are looking for financing, here are **some options** to consider.

3. Is your business running?

In an ideal world, you would quit just as your business is ramping up and generating revenues. You replace your job's salary with a salary from your startup.

Obviously, the only way to accomplish this goal is to **run your business while you have a job**. However, this approach is difficult and, often, impossible. At the very least, try to do most of the pre-launch or launch work while you are employed.

4. Create a budget

Quitting your job to launch your startup means losing your source of income and, for most people, having to live off your savings for a long time. Having a budget helps you succeed.

Most people don't know how to create a budget. Often, they just write down expenses and categories as they remember them. Creating a budget by tracking expenses manually though a spreadsheet is difficult and prone to errors.

Fortunately, there is a better and easier way.

Buy a personal finance package such as **Quicken**. Upload three (or more) months of past data from your savings account, checking account, credit cards, investments, and any other financial accounts. Most financial institutions have this data easily available.

Review every entry and categorize it. This last point is important. Once you have done that, spend the next three months uploading your income and expenses as they happen. Upon

completing this process, you will have six months of actual spending data categorized.

Use this information to analyze your expenses and create a realistic budget.

5. Save enough money for living expenses



Once you have a budget, the next step is to determine how much money you need to save. Look at your revenue projections and determine how long it will take your business to replace your salary. Keep in mind that most initial revenue projections are wrong. Be conservative and allow for a longer period. From personal experience, I believe that doubling the estimated amount of time is appropriate.

The risk of short-changing your savings is that you could run out of money before your startup has had the chance to fully develop. That outcome would leave you with limited income and could risk your ability to stay in business.

6. Do you have an emergency fund?

Having an emergency fund, separate from your budgeted living expenses, is advisable. Its purpose, as its name states, is to cover emergencies. Building this fund is not always possible and is difficult. Building an emergency fund takes time but it adds security. On the other hand, not building one lets you move faster. It's a hard decision – a calculated risk that only you can determine.

7. Remember medical insurance

One big mistake that many founders (especially young ones) make is dropping health insurance. They see it as expensive and unnecessary. Unfortunately, everyone is susceptible to medical problems or accidents. Without insurance, a single incident (e.g., a car accident) could wipe out your health, finances, and business.

If your former employer offers it, get coverage through **Cobra**. If not, buy insurance through the private marketplace. Lastly, if you decide not to get regular insurance, consider catastrophic insurance. As its name implies, it covers you for expensive catastrophic events.

Making the Transition

Once you have completed your preparations, the next step is to make your transition. The following steps help you approach this phase professionally.

1) Keep your business private

I always recommend that entrepreneurs keep their business private. Don't boast about it to your colleagues, and certainly not to your boss. Obviously, don't lie if asked directly. Otherwise, avoid the subject altogether.

This strategy serves two purposes. First, your company could fire you if they think you are running a business on the side. Second, your co-workers might believe that you are not carrying your load at work. Obviously, this impression could also lead to employment problems.

2) Write a positive resignation letter

Write a proper letter of resignation. Keep in mind that this letter will go in your personnel file. It's

best to write a short letter that advises your employer of your resignation, wishes them well, and thanks them for the opportunity.

3) Resign with class

To resign, schedule a meeting with your supervisor and deliver your resignation letter. Let them know that you will be leaving on a specific date. Lastly, reiterate your thanks for the opportunity and wish them well. Consider:

- 1 Mentioning some of the positive highlights of your career at the firm
- 2 Highlighting that you will miss the firm and your colleagues
- 3 Offering to train your replacement

At all costs, avoid speaking badly of your workplace or your coworkers. Adhere to this rule even if you dislike both. Bad-mouthing colleagues is not only bad form but it is also bad for strategic reasons. Your co-workers and boss will remain valuable contacts throughout your career.

Lastly, do not mention that you are leaving to launch a company. As mentioned before, this approach can backfire. If possible, deflect the question by answering that you are pursuing new opportunities and are unable to talk about them. Most colleagues respect that answer.

About the Author

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** This author originally appeared on [Steamfeed](#).*

