

Important Information for Founding a Startup During Retirement

Some people believe launching a startup in their retirement years is counterintuitive. Startups are unlike regular small businesses. Compared to small companies, they are high-stakes, disconcerting, and unpredictable.

As a new startup founder, you must adapt to a fast-paced technological environment, learn new skills such as fundraising from venture capitalists, understand scaling, and be ahead of the tech curb. It would help if you were comfortable taking on tremendous responsibility. For example, building a fintech app or platform involves ensuring safe personal and financial data among your users.

As a startup founder in your retirement, you must assess whether you are ready for high pressure and disruption. Startups tend to be heavily demanding on your psyche, energy, work hours, and finances. Nevertheless, retirement can be the perfect time for that big idea. You need to be mindful of the risks and rewards.

What is a startup?

How is a startup different from a regular business? You can differentiate a startup from a small business by its goals.

A startup aims to:

- Enact change and transform society
- Disrupt industries

- Generate tremendous value and ROI (return on investment)
- Grow rapidly
- Deliver everything at scale

Startup culture is rooted in innovation. Therefore, the goal is to develop novel products, services, methods, and technologies. Such novel ideas, when successful, tend to create social change. They also accelerate technological movements and reshape economies when they become trends.

Given the power of today's startups, it's no wonder aspiring founders want to take on the risk of creating them. There are many potential rewards when you achieve startup success.

Startups are funded differently compared to a typical small business. Fundraising typically involves several rounds: pre-seed and seed, followed by Series A, B, C, and D. An initial public offering (IPO) is very much on the table. So is an acquisition by a SPAC or special purpose acquisition company. When mature, a startup can also list directly on a stock exchange.

By contrast, small businesses do not have the growth pressure that startups do. You can start a small business without aiming to be disruptive. A small business is also called a "main street business."

Examples of main street businesses include coffee shops, restaurants, souvenir shops, hair salons, laundry shops, and many others. Such businesses can earn a decent income and be passed on to family members or sold for a nice sum to add to your future retirement income. However, they do not have the scaling requirements that startups have. You can be comfortable with one or a few branches of your small business.

What are the critical steps to launching a startup?

When founding a startup, you need to know where to begin. There are many ways to frame the steps to launching a new startup. Some guides emphasize the technical aspects. In this article, we aim for simplicity. As a retiree, you don't need to be intimidated by jargon. If you have a great idea that will work, you've already taken the first step.

1. Come up with a great idea

Your startup idea may have been brewing for some time. In your pre-retirement career, you dreamed of building something new and exciting. It may even be related to your previous job. If you were a banker, you could start a digital bank and launch an app with agile features.

Your idea can be something other than technologically sophisticated. It might be a development over a current product. Many have succeeded in developing large businesses by making a current product or technology one percent better. You need to find that feature that clicks with the user base. That way, you can steal market share.

2. Develop a sound business plan

Business plans are standard in any endeavor. They are designed to keep your eye on the ball. However, most startups are developing businesses, so assume the business plan is not set in stone. Think of it as a guide or roadmap. It is also helpful when speaking to investors.

A basic business plan should include a background on the industry you plan to join or disrupt, your market, strategies, product information, your team, and financing or raising the target.

3. Build a strong core team

Teams are core to a startup's success. When your idea and business plan are ready, you may already have your core team members in mind. Often, these are people you've worked with before and whom you believe have the skills to see your idea through. You can also find new people with rare skills if your startup requires them.

Startup teams are unlike regular business partnerships. They can be very intense, potentially lasting decades if a startup succeeds. Ensure your co-founders and early team members are long-term people aligned with your goals.

Find those who are genuinely excited about the company's mission statement. Your earliest hires are crucial to your startup's success, so choose wisely.

4. Begin raising funds

You may dip into your retirement funds as a retiree. Using retirement savings to fund your startup, however, could turn out to be a bad idea. Even if you have excess funds for your retirement, consider going the usual startup route of doing your initial fundraising through a friends and family round and contacting angel investors when possible.

Look for venture capitalists who might be interested in your idea. Only some investors are suitable for your startup. Do your homework and find the funds most interested in a product or business model like yours.

Why raise funds the conventional way and not dip into your retirement savings? The answer is simple: to spread out the risk. Moreover, as a first-time founder, you will benefit from the advice of seasoned investors who can act as mentors.

A pitch deck is one of the crucial tools you need for a raise. Master what makes a great pitch. A solid angle begins with

clarity. Make sure you are clear about your business idea, and present the picture and the data in the most transparent and impactful way possible. If you can afford it, hire a good designer for your pitch. You can find many free templates or use design software to save money.

Raising money for a startup can be challenging. It would help if you had the stamina for the long haul. You must build networks and approach people you've never thought of before.

5. Create a marketing plan

Marketing is crucial for startups because it helps bring awareness and traction to your business. You need to invest enough time and money in your initial marketing moves. Well-conceived marketing will help you identify your brand values, develop your brand identity and its elements, and identify your value proposition. It will also help create an edge for you in the market, target ideal customers, increase your brand's visibility, and establish the beginnings of a good reputation for your startup.

As startups usually look to bootstrap or lower costs initially, you should look into digital marketing techniques. Not only are they practical, but they also help you scale in a way that traditional marketing can't.

These are some digital marketing strategies you should include in your startup's plan:

- Content marketing
- SEO or search engine optimization
- Social media marketing
- Email marketing
- PPC or pay-per-click
- Marketing analytics
- Mobile marketing

6. Have a legal strategy in place

Some startup founders need to consider a legal strategy early on. However, this can be a mistake, especially in disruptive environments where you are a first mover. Even when you are not a first mover, you must still comply with essential business registration requirements in your area.

Make sure you have all the legal foundations covered. Consult a lawyer or an accounting firm to ensure you've covered your bases. You should also be familiar with registering a new startup in the United States.

Some of the legal basics you need for your startup include:

- Creation of a company bank account
- Trademarks and patents, when necessary
- Business name registration
- Business license registration
- Obtaining a federal tax ID number
- Basic contracts for investors, customers, partners, and others involved

In addition, you need to study the current regulatory climate of the industry you are entering. As startups tend to bring about change, you need to see how your startup can comply with existing regulations even as you seek to bring new elements to the sector.

7. Pick a good place to register your startup

Most startups have both physical and online elements to them. However, your physical location could matter greatly, depending on your business model.

Look for the top-ranked cities that are friendly to startups. Silicon Valley is one of many hotbeds for startups.

The list of the best U.S. startup cities for 2023 includes:

- Austin, Texas
- Miami, Florida
- Las Vegas, Nevada
- Atlanta, Georgia
- Los Angeles, California

Be sure to consider the overall environment, including taxes, benefits, proximity to venture capital, and metrics. These include the rate of entrepreneurship, high-growth company density, early-stage funding deals, and net business creation.

As a retiree, you must be comfortable being mobile and moving to a different state if it favors your startup. However, only some people need to do this, and you must carefully weigh the pros and cons.

8. Focus on building a loyal customer base

Attracting customers should be a top priority no matter which phase you are in when building your startup. Gaining customers and traction makes your startup attractive to investors. You should embed customer- or user-acquisition strategy in the foundations of the technology you are building.

For example, if you are making an e-commerce site, you should design it with the right calls to action, customer benefits, and hooks to attract more users. Your pricing strategy also needs to be in place to be effective at gaining customers.

Other strategies you can use to attract customers to your startup's website include:

- Establishing a good customer service program from the get-go
- Using targeted online promotions, such as on social

media

- Advertising the strengths of your product or service in your marketing materials
- Developing customer loyalty by leveraging customer feedback
- Conducting market research and applying it to your business model

Is it too late to build a startup?

One of the big questions people of retirement age ask is whether they are too old to get into startups. There are no rules for starting businesses or founding startups. While startup culture tends to be youth-oriented, some retirement-age founders have managed to thrive. Many of these founders are subject matter or domain experts and have evolved into innovators.

However, you do need to be mindful of some key points. These include the following:

- Risk appetite and risk perspective – In your forties to sixties, you may not think of risk as you did in your twenties. Sure, you may be excited about your startup idea. However, having worked for several decades, you could have a more conservative approach to risk. After all, every dollar lost is not a dollar you are likely to get back.
- Fewer safety nets – Young founders have more chances to get it right. By virtue of time, older founders have fewer shots at success. Younger people tend to shoot for the stars because, apart from time, they have several other safety nets, including supportive parents, the chance to return to work or school and take on second jobs, a vast network of friends, and more. If they fail, they have time for a do-over.

Use Your Experience To Gain an Edge in Startups

Despite the risks, you'll be surprised to learn that middle-aged and even retirement-aged founders have distinct advantages over younger ones. You'll be amazed to know that your forties and fifties may be the perfect time to begin a startup.

Regarding startup success statistics, the young Silicon Valley wunderkind is a myth. A team of Benjamin Jones, a Kellogg School professor of strategy, the U.S. Census Bureau's Javier Miranda, and MIT's J. Daniel Kim and Pierre Azoulay conducted a study to challenge the notion of the young startup unicorn founder. They discovered that the best results in tech startups tend to be generated by founders with an average age of 45. They also found that an entrepreneur aged 50 has twice the probability of startup success than someone in their thirties.

One of the key findings in the study is that years of experience in the same industry contribute to the likelihood of success. The researchers found that having over three years of experience in a startup industry doubles your chances of being among those one-in-a-thousand, fastest-growing companies.

These findings contrast with our ideas of runaway startup success by young founders. Sure, stories about young founders might be compelling. Still, we need to make room for older founders' higher statistical rates of entrepreneurial success.

This knowledge is a breath of fresh air for retirement-age aspiring founders. The math is in your favor. Be sure to leverage your industry experience to gain an advantage for your startup.

The post Important Information for Founding a Startup During Retirement appeared first on Due.

<https://www.entrepreneur.com/finance/important-information-for-founding-a-startup-during/454517>