

The One Thing I Wish I Had Before My \$110 Million Business Collapsed



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Key Takeaways

- The “go-for-broke” mentality is celebrated, but it can lead to personal fragility.
- Being an entrepreneur is difficult enough without constantly worrying about your finances.
- Your “sleep at night” fund needs to be liquid and secure. It is not an investment account.
- The best place for this fund? A high-yield savings account.

Most of us have heard the story of the entrepreneur who made a big bet. They maxed out their credit cards, mortgaged their homes and poured every dollar into their business. It's the kind of narrative that gets celebrated in books and on podcasts.

I lived that story. I've often shared how I grew my business to \$110 million in revenue, with \$92 million from Amazon. Unfortunately, Amazon launched a competing product, which ultimately shut down my business.

Although I learned valuable lessons from that experience, the crushing anxiety, sleepless nights and profound vulnerability of having no financial safety net are rarely discussed. Often, the "go-for-broke" mentality is celebrated, but it can lead to personal fragility. The entrepreneurial freedom spirit is not just about building a profitable business; it's about having a fortress that protects you from the inevitable volatility that comes with it.

This is where the "sleep at night" comes in.

I'm not just talking about an emergency fund here. This is a strategic asset that offers ultimate protection from downturns, allows you to make informed decisions, and reduces the risk of being forced into a corner. In other words, it's the difference between reacting to a crisis and responding to it calmly and deliberately.

Let's explore why these funds are non-negotiable for all entrepreneurs and how to establish them.

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The Volatility Paradox: High

income, high risk

While entrepreneurs earn more than their salaried counterparts, their income is far less predictable and irregular. As a business grows and falls, so do a founder's finances. After one strong quarter, months of lean revenue can follow, especially when profits are reinvested.

In addition to delayed client payments, surprise expenses and the constant pressure of covering operating costs, cash flow can become a guessing game. If a business owner is unable to secure a steady income, even a thriving business can become financially vulnerable. That's why a "sleep at night" fund is essential. With it, you can ride out the inevitable volatility without panicking and focus on building the business instead of scrambling for cash.

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What a 'Sleep at Night' fund is (and is not)

Specifically designed to cover your living expenses, a "sleep at night" fund is a liquid cash reserve separate from your business accounts. It is:

- **Your personal safety net.** If your business hits a rough patch, it's there to cover the mortgage, groceries and your family's essential needs.
- **Strategic assets.** You can make strategic business decisions without feeling desperate. As a result, you will not be forced to take on bad debt or make rash decisions to cover your expenses if you're late on a client's payment or a deal falls through.
- **A psychological buffer.** It gives you a deep sense of peace. Why? When you know your family is protected, you

can focus on your business and not on yourself.

It is not:

- **Business capital.** You shouldn't use this fund to pay your employees, purchase new equipment or invest in marketing. That's what your business's operating capital is for.
- **Your long-term investment fund.** This is not a growth fund that invests in stocks, cryptos or other assets. Rather than focusing on high returns, liquidity and safety should be the primary goals.
- **A "fun money" account.** This is a serious reserve. To cover discretionary spending, consider paying yourself a salary; however, this fund is intended for emergencies only.

The crushing cost of not having a fund

In the absence of "sleep at night," a domino effect of negative consequences begins to occur relatively quickly.

Forced decisions and bad deals

The less cash you have, the less negotiating power you have. Because you need cash now, you may have to take on a client at a low rate, partner with someone you don't trust, or accept unfavorable financing terms. If this happens, your business culture can be poisoned, and you will regret it for a long time to come.

Increased debt and financial stress

Unexpected personal expenses, such as medical bills or home repairs, can force you into high-interest debt, such as credit cards or personal loans. In addition to eroding your wealth,

this debt also adds another layer of stress, distracting you from your work.

The psychological toll

Being an entrepreneur is difficult enough without constantly worrying about your finances. After all, a staggering 87.7% of entrepreneurs struggle with at least one mental health issue. More than 30% of survey participants in a Founders Reports survey reported anxiety, high stress, financial worries, burnout and impostor syndrome.

When you live on the edge, you may experience burnout, depression and a loss of passion. If you're constantly in survival mode, it's hard to be creative and strategic. Everything in your life becomes hard. Be a good partner or spouse? Forget it. Great, fun, engaged dad (or mom), forget it. The toll is high!

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How to build your 'sleep at night' fund

There is a method to building this fund. To create your business, you need the same discipline.

Step 1: Calculate your personal "runway"

The first step is to define your essential monthly personal expenses clearly. Included in this are your mortgage or rent, utilities, insurance, groceries and minimum debt payments. Add this number to the number of months you wish to be covered and multiply it by this number.

Ideally, you should start with 6 to 12 months' worth of expenses. As a result, you'll have plenty of time to pivot, come up with new ideas or ride out a tough market without

panicking.

Step 2: Automate your contributions

The same way you pay yourself a salary from your business, you should automate a portion of that salary to your “sleep at night.” You should consider this contribution to be a non-negotiable expense. Be consistent, even if you have to start small. Over time, you want to develop a habit that becomes a substantial reserve.

Step 3: Choose the right account

Your “sleep at night” fund needs to be liquid and secure. It is not an investment account. The best place for this fund? A high-yield savings account. With it, your money is safe, easily accessible and you can earn a little interest without taking on any market risk.

Step 4: Maintain the fund

Creating the fund is just the beginning. You must also be committed to maintaining this fund. If you need to use some money out of your fund for a true emergency, replenish it as soon as possible. By doing so, you’ll always have a safety net when you need one.

Beyond an Emergency Fund: The Strategic Advantage

There’s more to “sleep at night” than just financial security; it’s a competitive advantage.

- **The power to say “no.”** It’s easier to say “no” to problematic deals and toxic clients when your personal finances are in order. This enables you to protect yourself, your values, and the reputation of your

business.

- **Freedom to innovate.** Often, the most significant innovations emerge from experimentation and risk-taking. With a solid financial foundation, you can take calculated risks with new products or services without fear of ruining your finances.
- **Better negotiation.** When negotiating a contract, partnership, or line of credit, confidence is your greatest asset. If you know you won't need cash soon, you're in a stronger position and can negotiate better terms.

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Final thoughts: True wealth is freedom

Despite its power, the hero-risk-taking founder narrative often misrepresents what true success looks like. It's not just about a high valuation or a big exit that defines success; it's about being able to build a life that suits you.

You can achieve that freedom with a “sleep at night” fund. It keeps your well-being separate from your business's daily struggles. In the long run, it's the best investment you can make for yourself, your family, and your career. So, stop romanticizing financial fragility. Instead, begin building your fortress. As a result, your future self and your quality of sleep will be grateful.

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