

Money

[How to Start a Business Without Quitting Your Day Job](#)

CAREERS SMALL BUSINESS

How to Start a Business Without Quitting Your Day Job

Elaine Pofeldt | July 27, 2015

And meet a bunch of folks who pulled it off.

Bill and Lauren Elward both held demanding full-time jobs when they started their online business, Castle Ink, a Greenlawn, N.Y.-based operation that sells remanufactured inkjet cartridges, laser toner, and ink refill kits. At that time in 2005, Bill was doing web analytics and marketing for the College Board and Lauren was a high school English teacher. Both were avid recyclers and wanted to build a business that tapped into

that passion, but they weren't willing to give up the security of steady paychecks.

Instead, they worked on the business at night and on weekends, sinking \$5,000 from their savings into getting their website up and running. By 2007, with cash flow from the business picking up, Lauren, who was pregnant and on maternity leave, decided to quit her job.

Thanks to some smart decisions to outsource tasks such as order fulfillment, content development, and social media, she now is able to run the business in just a couple of hours a day and care for their two children, ages six and eight, without outside help. Bill, who now works for the finance site Bankrate, puts in about five hours a week on weekends or on the train ride home from work.



Sarina Finkelstein (photo illustration)—Getty Images (2); Alamy (1)

Their approach has paid off. Castle Ink broke \$1 million in revenue in 2012, and even with the market for its cartridges softer today, it still brings in \$250,000 to \$500,000 in annual revenue, says Bill. Meanwhile the couple still reaps the stability and benefits from his job, such as his health benefits and 401(k).

Many would-be entrepreneurs fantasize about telling their bosses to shove it, but small business owners don't always quit their day job right away. Research by [Gallup](#) in 2014 found that among startups under a year old that have fewer than five employees, only 38% of founders live on what they earn from the business. Fifty-four percent support themselves with another job during the first year. The picture changes later, when they are two to five years old. By that time, 51% make enough money in their business to rely on it as their main income and 44% are still relying on a day job.

Still, it's not easy to start a business while remaining employed elsewhere. Beyond the issue of sheer stamina, entrepreneurs have to be careful not to jeopardize their current job. Here are some tips on how to navigate a launch while you're still on someone else's payroll.

Know what you've signed. Remember that sheaf of paperwork HR gave you when you started your job? Check your file cabinets and make sure you didn't sign any agreements that prevent you from moonlighting or a non-compete agreement that will prevent you from launching your business for a certain period—and get legal advice if necessary. When in doubt, look to pivot a bit from the work you do now, since many employers will balk if you seem to be going after the same clients. “Try to find a different market than your current company is going after,” advises small-business consultant Crystal Stranger, president of 1st Tax in Honolulu and author of *The Small Business Tax Guide*.

Make the most of business travel. If you work long hours at your day job, it may be hard to squeeze in time to work on your startup when you finally get home. Cincinnati entrepreneur Bill Fish found a solution when he co-founded an online marketing company, Text Link Ads (now known as Matomy SEO) in 2001. At the time, he was spending every other week in Austin or Houston, Texas, for his job and had down time in the evenings to devote to his startup. “I was able to work on my business the vast majority of the time while I was traveling,” he says. “I was away from my fiancé and didn't have anything else to do.”

The time he put in gave the company a running start, and the company grew to the point it was acquired by a private equity firm in 2006. Fish opted to stay on to run the company, and by the time he left in 2012, he says it hit \$25M in annual revenue. Since then, he has moved on to another startup, ReputationManagement.com, an online guide where he is co-founder.

Turn your employer into a client. Finding clients before you quit your day job will help you build the cash flow you need to make the leap. Often, the best place to start is your current company. “I’ve had a lot of clients who are able to change their existing jobs to consulting and get paid as 1099 workers,” says Stranger.

Koel Thomae, founder of yogurt company Noosa in Bellvue, Colo., used a similar strategy. After leaving a position at former employer IZZE, a beverage maker, in 2008, the natural food industry veteran secured a consulting gig from a former colleague. Thomae, who had no children at the time, typically signed off from the consulting project at 5 p.m. and shifted to working on Noosa in the evening, often until 1 a.m.

“It allowed me to make enough money to contribute to my family but it also gave me the level of flexibility I needed,” Thomae says. “If I had to go to a meeting with the health department, it gave me this very flexible schedule to kind of do it all.”

By 2010, she had officially launched Noosa and it took off quickly, thanks to all of the advanced legwork she had done. Today, Noosa employs 100 people and the business is on track to generate more than \$100 million in revenue, she says.

Sock away what you earn. If you’re making money on top of your salary, it’s tempting to splurge on extras, but Fish recommends banking all of it. At Text Ad Links, he and his partner lived on their earnings from their jobs while launching the business, which freed cash to reinvest in the startup. His advice: “Prepare not to take a single dime out of the business for 12 months,” Fish says.

Greg Van Ullen used a similar approach at OMilk, a Brooklyn, N.Y.-based maker of dairy-free milk that he co-founded with his wife Julie in 2011 and that today is sold in stores such as Whole Foods in the Northeast. At the time he was doing online marketing for the charity Smile Train. After introducing the product at a local flea market and seeing immediate demand, they launched a home delivery service. For the first five months, Van Ullen did the deliveries himself but found it taxing to juggle with his job—in part because the milk last only eight days. “I was losing my mind,” he says.

Finally, he realized it was time to quit. “In my own situation it was easy to make the call because we didn’t have enough time to actually produce our product to meet the demand—which is a really good situation to be in,” he says. “It let me know that if I made this leap and did it full time, I would be able to sell it. It made me feel a lot safer.”

That’s not usually a how entrepreneurs describe the startup experience, but as his experience shows, living on the edge isn’t the only way to launch a successful business.