THE WALL STREET JOURNAL. ONLINE

THE JOURNAL REPORT: SMALL BUSINESS

Family Business

Start-Ups and Spouses

Starting a business can strain a couple's financial -- and marital -- life.
It pays to follow some simple rules.

By PERRI CAPELL
April 30, 2007; Page R8

When a married person embarks on an entrepreneurial endeavor, it's often the other spouse who's left holding up the family's finances.

Take Kim and Ryan Woodings. After two years of marriage, the young couple from Boise, Idaho, were relatively prosperous. But things changed in June 2005 when they invested half their savings in MetaGeek LLC, a company started by Mr. Woodings.

The Woodingses shelled out $12,000 in hopes of selling by year end 240 Wi-Spys, a hardware and software combo Mr. Woodings developed to help users detect radio waves that interfere with the performance of their computers. But demand was greater than expected. So Mr. Woodings, 31 years old, quit his job as a systems engineer less than a year later to devote himself to MetaGeek full time.

That left Ms. Woodings, 26, an assistant registrar at Boise State University, as the family's sole breadwinner. Her take-home pay was less than half the couple's earlier combined income and just barely covered monthly bills.

"When he said he wanted to quit his job and go full time on the business, that's when I got nervous," says Ms. Woodings. "I knew we would have to make big lifestyle changes to live on my salary."

The couple cut back on luxuries and set a deadline for Mr. Woodings to pull the plug and look for permanent employment if the business didn't work out. Luckily, sales of Wi-Spys have soared, allowing Mr. Woodings to hire staff and draw out lump sums of cash when necessary for family expenses.

Besides guts and determination, more often than not, it takes the income of a working spouse like Ms. Woodings to help start a business. Of self-employed U.S. workers in 2005, 71% were married, according to the Small Business Administration's Office of Advocacy.

But shifting from two paychecks to one isn't easy for two-income couples. Often, financial difficulties -- or the fear of them -- can cause tension.

"Starting a business isn't an easy process in the first place," says Doug Wilder, president and head coach of Wilder Business Success Inc., a coaching firm in Jacksonville, Fla. "When you couple with that the emotional trials that go into a marriage and the business, you have a recipe for danger."

Family problems can worsen if the entrepreneur spends every waking moment on building the new venture. "When one spouse is putting 16 to 18 hours a day into the business and the other spouse is working to keep money coming in, the big pitfall is family life," says John Keener, president of Kelsey Group Inc., a business advisory and coaching company in St. Louis. "They don't have a lot of time together, and if they don't have much cash, the pressure on the breadwinner is strong."

Here are suggestions from business owners, spouses and experts on how couples can cope with financial concerns that may arise:

• **Make a plan and talk it over.** Having a plan that both partners can discuss and agree to is crucial because it helps ease uncertainties and pressures later on. The plan should include nonfinancial success milestones, such as the number of new customers or needed certifications, as well as financial ones, Mr. Wilder says.

That way, when the business isn't making money, partners can discuss the activities the entrepreneur has completed that will help generate revenue, he says. "You need to get away from looking at success as dollars and see it as activities that are required to bring in dollars eventually," he says. "This helps when the entrepreneur comes home and says no money came in today and the other one asks, 'Well, were you working?' "

Dylan Ross didn't expect to make money immediately when he started Swan Financial Planning, a financial advisory firm, in December 2005. With no money coming in initially, having a business plan that showed concrete success milestones was critical, says Mr. Ross, 32.

He and his wife, Helen, worked on the plan for about a year before they were satisfied. It was especially important for Helen to sign off on it because, as an operations vice president at Merrill Lynch & Co., she would be the family's primary breadwinner.

"We talked about how long it would take before I would generate income and the sacrifices we would or might have to make during this time," says Mr. Ross, who has an office in Princeton, N.J. "It was a year of talking about this and that."

To complicate matters, the couple was expecting twins when Mr. Ross started his business. The babies were due six months later, and he wanted to be available to help. So, the plan for the business was based on his working no more than 40 hours weekly. "Working harder might build the business faster," he says, "but we would be stressed."

Mr. Ross says they have continued to modify their plan to meet continuing and developing needs and are happy with the progress of the business so far.

• **Set limits on financial and time investments.** For many couples, establishing how much to invest in a new venture is smart, says Mr. Wilder. The spending limit sometimes is coupled with a timetable showing how long the entrepreneur has to devote to the new venture.

"They should decide on the limits for the cash outflow of the business and how long they should try," Mr. Wilder says. "That way, when things get tough, the entrepreneur can say, 'We agreed I would have this much more time.' "

The Woodingses limited their initial investment to $12,000 in savings, which they have since replenished. They also decided to give Mr. Wilder nine months to devote to the venture. "We knew that if the business wasn't making money by the end of 2006, that would be the end," Mr. Woodings says.

• **Line up other sources of income in case of emergencies.** The working partner may be able to cover monthly expenses, such as food and housing. But when the roof must be replaced or the car needs repairs, it can play havoc on the family's financial equilibrium.

"Be prepared to be creative with finances," says Jill Levinson, director of marketing for Communispace Corp., a marketing strategy firm in Watertown, Mass. After her husband, Rob, 45, hung out his shingle as a marketing consultant in Boston five years ago, the family experienced so many financial highs and lows, "we were manic-depressive," Ms. Levinson says.

To make ends meet, they sometimes turned to family members for short-term loans. Even their dentist allowed them to delay payments, she says. The couple repaid every loan, and now Mr. Levinson, 45, earns more from his company, Brand Blueprint LLC, than he did as an executive.

• **Don't bring a spouse onboard immediately.** By working full time, spouses usually provide the family's medical insurance and other important benefits. Not having to buy these is a significant advantage for fledgling entrepreneurs, who don't have the cash flow to afford benefits large companies provide.

"Small businesses get hammered on health care," says Kelsey Group's Mr. Keener. "With the spouse working, this is one thing they don't have to absorb."

But as small businesses grow and new employees are needed, some couples believe it makes sense to put the working spouse on the payroll, he says. This requires the business to shell out needed cash for medical insurance and puts both partners at risk if it fails.

"They have a tendency to hire the breadwinner in the family, so now they have all their eggs in one basket," Mr. Keener says. "If the company doesn't make it, they are lost completely."

• **Take turns being the entrepreneur.** It isn't wise for both partners to be independent entrepreneurs in the beginning because their earnings can be unstable.

"One may have to put his or her dream on hold for a while," says Mr. Wilder. "They may say, 'I'll let you do this for a while and in X years, I get a turn.' "

One reason the Levinsons were financially stressed when Mr. Levinson started his company was that his wife was also an independent consultant at the time. It was "nerve-racking" for both partners to receive income sporadically, Ms. Levinson says. When both had paying clients and checks arrived regularly, life was good. But when both were pitching business and had no receivables, tensions would grow.

"It's difficult for a single consultant," she says. "But when two people were doing it, the difficulties were exponential." Communispace was one of her clients, and when it offered her a full-time job in 2005, she accepted. She now provides the family's health benefits, saving the couple about $1,100 monthly.

Mr. Ross says his flexible schedule is attractive to his wife, and the couple has discussed ways she may be able to work independently if the business is successful.

"Once I left a paying job with benefits," he says, "it took away the option for her to do that, at least until I'm established."

--Ms. Capell is the Careers Q&A columnist for CareerJournal.com.

Write to Perri Capell at reports@wsj.com.