

## 009 - What To Know When Starting a Business - Transcript

**Tim Mullooly:** Welcome back to Living With Money. On today's episode, we're going to do kind of a hybrid of educational episode and interview. This is Tim Mullooly and Tom is here with me today.

**Tom Mullooly:** Hello.

**Tim Mullooly:** We're going to kind of interview Tom here about getting started with Mullooly Asset Management back in 2002 and kind of hear his story about the first year of setting up your own business and kind of use it as an educational piece for anyone out there who might be thinking about starting their own business. Obviously, Mullooly Asset Management is an investment advisory firm but I feel like a lot of these things can apply to different industries as well. So keep that in mind as you listen through this episode.

**Tom Mullooly:** A lot of lessons learned. Many of them the hard way right.

**Tim Mullooly:** Right.

**Tom Mullooly:** But yeah, this was we're in 2018 and so we're talking about what happened in 2002. Technologically speaking, we're going back into a completely different era where things like iPhones didn't really exist. Some technology you know one of the things that was new at the time was DSL.

When the DSL would go down our phones also ran on DSL, so when the DSL would go down which happened a lot the website would go down, the internet would go down. No email, no phones. The office would be quiet for about 45 minutes or an hour and you'd be like, "Wow it's a really quiet day here."

Then you pick up the phone there's no dial tone. Bad.

**Tim Mullooly:** First things first, I mean you had to make the decision ultimately to start your own firm. Do you want to talk about that? And then what the very first steps were right after making that decision?

**Tom Mullooly:** I want to keep this germane so that people that are not investment advisers can follow along and maybe pick up some pointers that might help them. The very first thing that I did was I actually went out to Staples and I bought a huge wall calendar and tried to map out what I needed to do and when, because I was still working at my present employer and I had to do all of this stuff at night on the side. So weekends and nights for five to six months were spent catching up on all of this stuff.

**Tim Mullooly:** I feel like a wall calendar is probably a good place to start because there's so many things swirling about in your head. It's a good idea to keep everything organized.

**Tom Mullooly:** So the decision came about for me to say, "Okay, I'm finally going to do this," and then it was, "Okay, who can help me with this?" One of the big lines that I kept telling myself through the first year was, whenever I would hit a snag or run into a problem that I couldn't solve is, I would stop myself from spinning off the cliff and I would remind myself or ask myself this question, I'm sure I am not the first person to have this problem. Who can help me?

That is so important for people who are starting their own business to remember and not lose their grip on what's going on. The first thing I did was I reached out to an attorney that I know and an accountant that I know, and bought them each a cup of coffee and said, "I'm thinking about doing this according to you, Mr. Accountant or Mr. Attorney. What are my next couple of steps?"

I got different advice from both of them in terms of how I want to structure my business, what kind of things I need to do first. Things like getting a tax I.D. form, setting up bank accounts. These are things that every new business needs to think about when they're getting started.

One of the best pieces of advice I got was from my attorney and I said, "There's a lot of people in my line of work that work from home," and he actually reached out grabbed my arm and he said, "Don't ever do that," he said, "First of all you're going to get soft if you're working from home because it's just not the same as working in an office and you're going to find that people won't take you seriously if you're working from home."

I had some big decisions to make, am I going to work from a Starbucks, am I going to find an office to rent? Am I going to sublet office space? That first year when I got started I had clients in Monmouth County and clients in Ocean County, New Jersey separated about 45 minutes apart. What I did was in addition to my primary office, I also sublet a conference room from engineers that I knew 45 minutes away and whenever I needed it I would call them like a week in advance to try and get someone to book up an appointment like that.

Then I had to pay them in advance, I mean I had to mail them a check, we didn't have Venmo or we didn't even have PayPal and it was a hassle doing this. Luckily, that only happened for the first year or so.

**Tim Mullooly:** Right, just enough to kind of bridge that gap before clients got used to you working in one spot and were able to come down to the office. Enlisting help from some friends is a good idea because there are probably a lot of questions that a new business owner has, but there are probably equally as many questions that they don't know or they just don't know to ask. Is that the case for you?

**Tom Mullooly:** That was really the biggest problem that I had was, I didn't know that for example in our business, we needed investment agreements. I didn't need clients to sign investment agreements when I worked at a brokerage firm. All of that was built into the little tiny print that they would sign right above. I didn't have anything like that.

It was a learning experience for me not knowing what even what kind of questions to ask and finding out for example, "Okay, now that I've found the broker that's going to custody our assets what kind of paperwork do they need?" "Well wait a minute, we're going to need a new client applications, we're going to need transfer forms. We may need power of attorney, we may need electronic banking paperwork and then we're going to need investment agreements on top of that." For the first year, I used to walk around with a packed briefcase because I needed to have all these sets of paperwork with me to get clients to sign on with us.

**Tim Mullooly:** Especially back in 2002 there was even more paper here in 2018 a lot of things are paperless, took down a handful of trees start in the business.

**Tom Mullooly:** And high technology then was a fax machine.

**Tim Mullooly:** Yeah.

**Tom Mullooly:** We just didn't, we weren't able to take a snapshot on your phone and e-mail it to us, so that just didn't work. Even things like trying to determine how much office space do you need? Do you want to have a conference room? Do you want to have room for staff? The first office that I rented was very small, it's about the size of the room that we're talking in, but it was divided into three small rooms. One of them was a room just for file cabinets for all of the paper that we had.

It was really out of control and so then the thought was, do you want to have new furniture? Do you want to have old furniture? The problem with old furniture is that it looks like old furniture and it's mismatched and it just looks terrible.

**Tim Mullooly:** The problem with new furniture is costs like new furniture.

**Tom Mullooly:** Cost money that you don't have.

**Tim Mullooly:** Exactly.

**Tom Mullooly:** And you need for other things.

**Tim Mullooly:** So once you picked out all the furniture and got some advice from attorneys and accountants and figured out where you were going to work in getting all that paperwork filled out. What were some of the bigger upfront expenses that you found when starting a business?

**Tom Mullooly:** Great question. I think it's important that when you're starting a new business you have to separate what are the big one time or infrequent expenses and what are going to be the things that you are going to have to pay every single month once the business gets going?

Some of the big expenses that I ran into was, first of all, after you found an office you had to come up with a security deposit and usually the first month's rent. You had to, in my situation, I had to set up a Customer Relations Software tool CRM, those things are several thousand dollars. These are things that I never had to do as working for a bigger firm.

**Tim Mullooly:** Because they were just supplied to you.

**Tom Mullooly:** Can we just get it to?

**Tim Mullooly:** You never had to get them yourself.

**Tom Mullooly:** Right, so I remember I was about a month out from opening the business and I realized I didn't even have telephones. Oh, my goodness, I'm going to have to do this. The guys at Staples got to know me on a first name basis because I went there every day looking for things that I needed for the office supplies, technology whatever. So buying phones, getting them wired, getting them hooked into the DSL, getting someone in there this was really crazy we networked our computers together.

I actually had to have a guy from the Little League come over and he actually ran the wires through the ceiling tiles on a Sunday afternoon as a favor to me to make things work. It's things like this, it's the hardware, it's the technology. Even little things that you don't even think about like you got to get a logo designed. You may want to get your name, your business name trademarked, getting a professional headshot a photo to use, letterhead, getting the stationery. You mean, you've got to put things in an envelope and send them to people.

It was all of these startup expenses that you had to do. We do so much of our work now on the web, but building that first website torture, torture. I found a local guy and through a friend of a friend and he built a website for me that was very Jetsons. I remember it was ...

**Tim Mullooly:** Very 2002.

**Tom Mullooly:** Very 2002 and a lot of flash technology, a lot of moving arrows and stars and shooting things off. If you use the Wayback Machine, wayback.org, you can find Mullooly.net and you can laugh your butt off looking at this thing. A lot of the flash doesn't work anymore. Wow pretty bad, so building the site, boom the site was really expensive.

I was getting quotes from some of these software designers that they wanted \$8,000 to \$10,000 to develop a website. I'm like, "You're out of your mind, I can't even think about stuff like that." That's just totally out of whack. Then hosting a website or a real website was very expensive, we had stock quotes on our website and holy cow, it was hard to get it all to work because a lot of stuff which is you know, a lot of these, now they called apps, but at the time a lot of these things were just like mini applications that were running inside of a website like on a Java script that would just freeze.

**Tim Mullooly:** Yeah, and it was still relatively new technology back then, and while like you're saying hosting and building a website was really expensive, it might not be that expensive today but it still is something that you need to think about when you're making a business.

**Tom Mullooly:** You need to make budget that in.

**Tim Mullooly:** Some things that people might not consider like, I know for me probably like the letterhead and stuff like that you'd go to send out your first letter and be like, "Oh gosh," I don't have a letter.

**Tom Mullooly:** I don't have a big envelope.

**Tim Mullooly:** Exactly, yeah.

**Tom Mullooly:** We had a situation where there were times where we ran out of those big envelopes and I had to send people like multiple forms, so I sent them out like three or four letters and regular emphasized envelopes. I mean it was hilarious looking back on it now, back then I was freaking out.

Just like we tell our clients when we're trying to help them get a grip on their numbers, you kind of how to get a grip on your own numbers as a business, so every month you have to pay rent. Getting things like stock quotes really expensive. Along with the stationery that you had to buy postage was-

**Tim Mullooly:** You got to put stamps on it.

**Tom Mullooly:** You got to put stamps on these things. You had to pay for your professional help, so paying retainer fees to lawyers, accounting help things like that. You have to have these kind of things factored into your numbers. One of the things that I learned pretty quickly was that, with the phone company and your utilities, if you're a business you're going to pay more.

I even had a guy from our local utility explained to me he goes, "If you have L.L.C. Inc. or some kind of business account you pay a separate schedule than your residential rates. The business is under right their residents, the residential customers. It's very expensive and that's why I go around here shutting off lights," because it's just a habit that's been ingrained in me.

Tell you a quick story a funny story, I had a client who would call me right before or right immediately at the market close every day 4:00, so he would call it, 3:30, 3:45, 4:00. Almost every single day, I also knew that there was a shipping store a block away. Like I would send my paperwork in to my broker and the cutoff was 4:00, like the UPS truck was showing up at 4:05, you didn't have that stuff there it wasn't going today.

Sure enough, every day at like 3:30 or 4:00 we didn't have voicemail. I would actually take the phones off the hook and run down the block and get the UPS package out that day and then run back in, put the phone back on a hook and-

**Tim Mullooly:** Because you can get your daily call for-

**Tom Mullooly:** Hopefully, not miss this guy's call. I know it's pretty crazy.

**Tim Mullooly:** Just looking back on the first year in general, what were some of the biggest lessons that you learned as a new business owner?

**Tom Mullooly:** I think one of the biggest lessons was, I'm responsible, I'm responsible for everything. I thought I was pretty good in Excel. Those first couple of years I lived on Excel, that's how I did everything in our business. I was shocked when I found out that if you wanted to buy a licensed copy of Microsoft Office in 2002, it's \$500.

**Tim Mullooly:** Wow.

**Tom Mullooly:** Yeah, and that was for Microsoft Outlook, Excel, Word, Publisher. 500 bucks for one disk and you could install it on one computer.

**Tim Mullooly:** Wow.

**Tom Mullooly:** Yeah, it was very expensive. I became responsible for things I never even thought that I needed to get involved with, our legal bills, our retainer fees for some of our professional relationships were eye-popping. I remember getting a bill from our attorneys and I actually had to let a friend of the family go as a staff person that afternoon, because I just knew that I wasn't going to be able to afford paying her. That crushed me because it was a friend of the family, someone that we knew and that was really, really tough lesson. I wish I was better prepared for that.

**Tim Mullooly:** Kind of along the same lines, had you ever interviewed or hired anyone before?

**Tom Mullooly:** I've done a little bit of interviewing with my previous firm, but now I had to look for someone or some people that I had to work with on a daily basis consistently, and count on them to show up, show up on time, do a good job. And then I was going to give them a paycheck out of my own pocket. It was very foreign for me to do that, I was not good at it.

**Tim Mullooly:** Totally different feel too, like you said you hired a few people for previous firms, but I feel like it's totally different when you're hiring someone to come in and work for your business, because you have so much more invested in it and the people you hire are going to be representing you and your brand. So there's a lot more involved when trying to find quality people.

**Tom Mullooly:** I didn't want to have like a written dress code but some of these people would show up to the office and you knew right away it just wasn't going to work out. Things like that, like researching different health plans, I never had to buy health insurance on my own but guess what? If you have a family, you need it. You have family members that get sick, have to go to the hospital stuff costs money.

Other things that I had to find out where all the everything was connected into the computer. When the internet would go down like I was saying before I had to crawl around on my hands and knees and unplug this, unplug that, wait 15 seconds, plug this back in before that and I'd be on a speakerphone or on hold with Verizon or somebody like that.

There was one time one instance in particular it was right at the end of the day, it was like 6:00 or 6:15, and I did something to my computer where I totally blew it up. It's not like the hard

drive failed or anything like that. It just blew up and it wasn't working anymore. Because I paid \$500 for this license with Microsoft that also entitled me to customer support. I was actually on the phone with Microsoft, I finally called them around 8:00, I spent almost two hours trying to figure out on my own like, "What did I do?" I finally gave up and I was like, "Okay, I need help."

**Tim Mullooly:** Usually trying to figure out how to fix it yourself has the opposite effect and usually ends up making it worse.

**Tom Mullooly:** Oh yeah, yeah. Well, I'm a guy, I don't ask for directions when I'm lost. I know everything.

**Tim Mullooly:** Figure that out.

**Tom Mullooly:** Yeah, I'll figure it out. After a couple of hours I went to call Microsoft, I was on the phone with a tech until 5:00 in the morning rebuilding this computer. I remember getting home, changing my clothes, taking a quick shower, change clothes, went right back to the office.

**Tim Mullooly:** Wow.

**Tom Mullooly:** Murder.

**Tim Mullooly:** Yeah.

**Tom Mullooly:** That was murder. It was pretty bad.

**Tim Mullooly:** You being the sole person in charge of this business, there are so many different hats to be wearing like you're the IT guy like you were just saying, you're managing people's accounts, you're opening new accounts, you're finding new clients. How did you realistically manage wearing all of those hats at once?

**Tom Mullooly:** It wasn't easy and one thing that you've probably picked up on which was a big mistake for me was that, I have yet in this podcast talked about marketing. I haven't done any, I did not do any marketing.

**Tim Mullooly:** That was going to be one of my questions. I mean, understandably have very little time in the day to do any sort of marketing, was there any ... At what point did you start doing marketing or did it kind of just fall by the wayside for the first year or so?

**Tom Mullooly:** The first year or so it fell by the wayside and that was in hindsight a huge mistake. I always remember that line from Hoosiers when a shooter has to take over the game with a couple of seconds left, what does he say to the guy?

**Tim Mullooly:** Something like don't get caught watching the paint dry or something.

**Tom Mullooly:** You can't get caught watching paint dry when you own your own business. Reading the New York Post or getting hung up on some Wall Street Journal article can't do it, you can't do that. There's not enough time in the day and so I've gotten better over the years at blocking my time and chunking and saying, "Okay, for the next two hours I have to work on marketing. For the next two hours I have to make callbacks to people who have called in. For the next little bit of time I have to work on e-mail responses. I have to work on a podcast this week. We're going to do a video after this."

It's important to have a schedule, stick to a schedule, so that you can have some balance and do marketing, do operations, do some of the CEO work, you're going to pay some bills and do some things. I think one of the bigger lessons is learning how to juggle.

**Tim Mullooly:** One thing that we haven't touched on yet either is ultimately the business making money and getting paid. Starting your own firm, you had to make a fee schedule and eventually invoice clients. How did you go about doing all that?

**Tom Mullooly:** Well, funny you should ask. My first fee schedule was I should do this work for free, so I had a very, very low fee schedule and I didn't really run it up the flagpole so to speak because I never really worked out the math and pretty quickly I realized that I had made some bad deals in terms of fee arrangements with clients. I quickly changed that, you really need to know what your fixed expenses are and also what your personal overhead is as well.

See, one of the things that I think a lot of business owners overlook when they're starting a business is your business is going to have expenses, and you're going to have to invest money to get that baby off the ground. But in the meantime, you have mortgage, you have kids, you have family obligations, you have bills to pay at home. Your family is still counting on you to have some of that money to pay the bills, and so they can support you.

I would say a bit of advice for anyone who starting their own business, if you think you need \$50,000, it doesn't matter what the numbers you need, \$10,000, \$25,000, \$50,000 whatever it is double it. Just double it because it's never going to be what you think it's going to be.

**Tim Mullooly:** Sometimes when people call in along the same lines they ask, "What's the X amount of dollars I need to do this or to build a home here?" It's like more.

**Tom Mullooly:** Yeah, that is the answer more.

**Tim Mullooly:** The answer is more, yeah.

**Tom Mullooly:** And it's going to always be more. I did some things as I was getting ready to start the business and the first year of the business, I did some things that I'm ashamed to say but I did some things that we as financial planners tell our clients never do these things, but I did them. I kind of learned by example the hard way.

**Tim Mullooly:** What were some of those, I mean if you don't mind me asking, or a couple of those things that ...

**Tom Mullooly:** Well, I borrowed against the house, which I didn't really want to do but I borrowed against the house and then I borrowed against the house again. I sold company stock. Now, this is a trap because I had company stock, I worked for a publicly traded company. I had company stock that I bought and I also own company stock in my 401K. When I left my employer to start the business, the shares were trading between in the mid '90s, '94, '97. I can tell you because I lived through it.

The summer of 2002 when this all happened, stock market went down about 25%. My company's stock took it on the chin a lot worse. I wound up selling all of my stock at \$27. So let me tell you something, so your business plan based on a \$94 stock price looks totally different when you sell the stock for \$27 a share.

**Tim Mullooly:** I could imagine.

**Tom Mullooly:** It was pretty bad. I had a lot less money to start with than I expected, so I drained my 401k. Like I said, I went into debt and thankfully as the business grew and we've rebounded very successfully from that, paid off a ton of debt over the years and everything's great, duck a big hole. I had the belief and the conviction that it was going to work. My biggest message to people who are thinking about starting their business, stock that money away and plan on a costing double what you may estimate it to be.

**Tim Mullooly:** Yeah, and also just understand how much it's going to costs and how much of a commitment you're making and you need to be 150% committed to making it work. With such a big financial commitment involved, it would be foolish to not jump in with both feet.

**Tom Mullooly:** Unfortunately, my dad passed away before I had a chance to start the business, but I know talking to him in the late '80s and early '90s, he would always say, "You look preoccupied, what's going on?" I said, "I'm just thinking about the business," and he said, "Well, that's really great." He goes, "Because when you're doing something that you love you think about it all the time and then you know that you're in the right place."

You really have to commit, that's a word that nobody likes to use these days it seems, they don't want to commit to relationships, they don't want to commit to work, they don't want to commit to a career, they don't want to commit to starting a business. A lot of people will do things if they're easy, nothing worthwhile is easy. If you want something bad enough, understand that you're going to have to crawl over some broken glass for a while to get it, but it will be worth it in the end.

**Tim Mullooly:** If you have a question that you'd like us to answer on Living With Money, get in touch with us. You can e-mail us at [livingwithmoneypod@gmail.com](mailto:livingwithmoneypod@gmail.com). You can find us on Facebook and send us a message there or you can tweet at us on Twitter, shoot us a message on Instagram. We'd be happy to answer any of your questions.

Hopefully, if you're a potential business owner out there and you listen to this episode you realize that there are probably a lot of things going on in your head that you're trying to lay out before you start the business, but also through listening to Tom realize that there are probably a

lot of things that you aren't thinking about as well. It's important to understand that it's okay to ask for help. You're not going to know everything to ask and that's okay.

If you have the conviction and the belief that you'll make it work, start saving your money because it will probably cost you a good chunk of change but if you believe in it, it'll all work out in the end. Tom, I want to thank you for taking the time to talk about the early days of Mullooly Asset Management.

**Tom Mullooly:** It's been a good walk down memory lane and come along way.

**Tim Mullooly:** That's going to do it for this episode of Living With Money. Thanks for listening out there and we will see you on the next one.