

Founder's Guide to Personal Finance

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I wrote this guide to help founders navigate the uncertainties of their financial lives. I'm very confident that your startup and its shares will certainly be worth unimaginably large amounts of money at some point, but for now there are bills to pay and tricky situations to navigate.

See you at IPO!

Updated January 2026



 *p.s. if you're also interested in credit cards I wrote a **Founder's Guide to Credit Cards**^[a]*

Why this matters and a disclaimer

Stability and Focus

Stable personal finances can be a source of comfort and flexibility against the inherent risks of running your startup, allowing you to make decisions from a position of strength rather than necessity.

Disclaimer

This guide is based on personal experience and a process that's worked for me and some of my friends. I'm just some guy on the internet, though — I'm not a financial advisor, lawyer, or tax accountant. You should do your own research!

Warning about financial content, advisors

Heads up: personal finance content is pretty fraught with people who have bad incentives: people who get paid a commission when you buy shares of something or give them money to manage, people who get paid when you sign up for a credit card / brokerage / bank account.

If you want to chat with someone about your specific financial situation...

You should probably find someone who is:

1. A fiduciary (has a legal responsibility to act in your best interest)
2. Isn't trying to sell you anything. This means they're paid by you directly for "advice only." This type of advisor shouldn't actually do anything with your money and don't make a commission off your investments — they just make suggestions you implement.

The type of professional who usually best meets these criteria is a "fee-only, Certified Financial Planner" (CFP).

You want to find someone who: isn't related to you or a friend, works with many clients in a similar situation to you (ask!), has a teacher mindset (you should understand everything going on in this process), and ideally covers investing, tax, and estate planning.

You might need to work with additional specialists like accountants and estate attorneys but the CFP should empower you to get started.

Last updated: August 2024

How much to pay yourself

This section is aimed at founders who have raised a bit of money but have not reached product market fit or profitability. If you've done either of those things (especially profitability), you can still use the benchmarks below, but they should probably be a lower bound of what you should be paid.

In general your goal should be to feel stable and not have to worry about your personal financial situation too much (you have much bigger things to worry about!)

Efficiency vs. Frugality

Your investors funded you to move fast and paying yourself very little is time expensive. Pay yourself enough to avoid wasteful time expenditures (car that constantly breaks down, unsafe neighborhood, taking the bus everywhere when you don't enjoy doing that) that could be better spent on your business.

Market Rates

You shouldn't be getting rich off your startup salary but you also shouldn't be totally left behind by your peers or taking on personal debt to keep your company going (once you've raised a moderate amount of money from investors). Companies like Pilot conduct surveys and establish **benchmarks** [6].

If you've raised between \$1m and \$3m the median (Bay Area in 2024) salary is \$110k.

You should probably just follow the benchmarks for your scale, raise amount, and city unless these don't accurately reflect the company or you have a ton of life obligations (need to pay yourself more). You almost certainly shouldn't pay yourself way less than the Pilot data unless your salary negatively affects your company.

What if you don't have enough money?

Start by defining "enough" — are you struggling to pay for your kids' daycare or keep up with your friends who work in finance or big tech?

Generally, figure out if you have a spending or an earning problem.

Spending problem

If you're already paying yourself a market rate, start with tracking where you spend money. Use a budgeting app like YNAB, Empower (Personal Capital), or [Copilot.money](#)^[4] to get a sense of where you're spending money.

Are you consistently spending more than 10% of your salary on eating out, entertainment, shopping, subscriptions, or travel? These are all fun ways to spend money, but they're also fairly flexible categories that can dramatically affect your financial well-being. If you're spending a lot here, consider setting a budget for each category and saving up for big expenses. All of the apps listed above should be able to help.

Cars are usually much harder to reduce. If you lease a car, consider the cost relative to how much it's used each month. If your lease is a considerable part of your income, consider something more moderate when it's up for renewal. If a lease is a very large part of your income you may be able to end the lease early for a small penalty. If you own your car outright and it isn't too expensive to maintain there probably isn't much worth optimizing.

Housing is probably your biggest expense, but reducing it can be tough. If you work from home be particularly careful about making changes. Don't save a few dollars at the expense of your productivity. With that being said, if your home takes up a considerable amount of your income, consider if you're paying for more space than you need or if you're paying more than similar apartments nearby. If so, it may be worth the hassle of moving. You can also consider living with friends, a partner, or even in a group house.

Earning problem

If you've analyzed all your expenses, made cuts where possible, and are still struggling, you may need to increase your salary. This may affect your company's financial health and attract the commentary of some investors (especially if the company is losing money), so this should be relatively far down the list. Ultimately, raising your salary can be win-win for you and the company if it ensures you are focused on the company and not constantly worried about money. This makes especially strong sense in cases where you have a child and the additional salary allows them to go to daycare so you aren't constantly distracted, or when you have ever compounding student loans that are putting pressure on you to find an additional income stream.

Generally, if your company is fairly stable it's better to pay yourself a bit more so you can keep up this pace for the many years it takes to find success. If your company has plenty of money in the bank, it's silly to need to stop working on your startup because you're stressed about your personal finances.

Other debt like student loans, large medical bills, or credit cards (unrelated to the company)

These are a bit less clear... It is not really any of your investors' fault that these things happened but it's also not in anyone's interest for you to have undue stress or distraction from these situations. Be reasonable and don't do anything you wouldn't want your investors to find out about.

When to consider making changes to this system

The pay you set today shouldn't be stagnant in the same way your startup's financial situation won't be stagnant.

At a minimum, you should probably adjust to the new benchmarks each year. Other events may be reasons to make larger changes including:

Raising a new round of funding

New Company Stage = New Salary Benchmarks

Aside on secondary sales

As your company matures, you may be able to sell some of your personal shares in a "secondary" transaction. This can make a lot of sense if you're focused on building a really large company that might not go public for many years. A secondary sale can help you meet immediate financial needs or ease potential pressure to make short-term decisions since so much of your net worth is in your company's stock.

Secondary sales can also have some signaling risk if you sell too much — Elad Gil's High Growth Handbook says 10% max.

You should also be aware that if you're selling the same common stock you issue in options to your employees your sale may have an impact on your future 409a valuations (they might be much higher).

PMF / giant uptick in revenue

If you substantially grew the business or reached PMF and are scaling you should probably make more money.

Profitability

You should probably make more money.

Your initial stock grant is fully vested

If you are fully vested in the shares you were granted when you founded the company, you should probably receive an equity refresher or, alternatively, an increase in your salary. This should be based on what the company would pay to someone new hired for the role.

Big life changes

This one is more nebulous, but if your financial situation changes because you have a child, need to take care of a parent, your partner can't work anymore, etc, you should reassess what makes sense.

What to do with your money

Two schools of tech-money thought

Double down on what you know

You spend your life in the arena! Who could be a better judge of new startups and existing public companies benefiting or being disrupted by the latest cycle?

This leads to investments in your friends' startups and technology you're an expert in because you know it's going to be the next big thing.

Diversify your lifeboat away from exposure to things that could also kill your company

You spend your life in a rickety boat full of holes you're trying to build into a cruise ship. If there's a storm, your boat might sink, and it would be really nice to have a submarine that isn't really affected by the storm rather than a flotilla of other boats that the same storm will probably also sink.

This leads to investments in more traditional assets like index funds, real estate (probably outside of techland), and bonds / cash.

My middle ground: secure a lifeboat then double down with the rest

Tech money sometimes has a transient nature. Equity can be locked up for a decade or be wiped out in a recapitalization. I don't like this level of insecurity for the money I need to pay my core expenses like rent and food.

I have a pretty diversified set of investments along with enough cash to get through any hiccups.

Emergency Fund: cash in a high-yield savings account

I keep 3-6 months of expenses in case anything happens. This makes it so I'm not ever strapped for cash and have to borrow money or sell something too early.

Some good options: Ally Bank, Amex Savings, Citizens Bank, Lending Club (just Google and find one you like that pays something close on the higher end)

Roth IRA Retirement Account

You can contribute up to \$7,000 / year to this tax-advantaged account each year. You pay tax on the money you deposit but it grows tax-free and can be taken out when you reach retirement age.

Once you raise a Series A or B your company will probably start offering employer "match" to IRA contributions as a benefit. This is free money you should take advantage of!

I use Vanguard but it doesn't really matter

Brokerage account with index funds

I like to invest in the US (and sometimes global) stock market since it should be more resilient (if a little less growth-oriented) than just tech stocks.

I only buy Vanguard index funds (the fees are usually much much cheaper since Vanguard is member owned and not a for profit company). Specifically 60% VTI (US market), 20% VXUS (international), 10% VB (smaller companies since large companies are so represented in the market these days), and 10% VNQ (real estate). These are all ETFs but the mutual fund flavors are basically the same thing. You should strongly consider buying 100% VTI unless you have a strong view on this type of thing.

There's an endless number of brokerages to choose from. Pick one with no fees for buying index funds that has some auto-invest capability to put building your lifeboat on autopilot.

Real estate I don't live in

I ran a real estate company for ~4 years, so I understand the market. I plan to purchase properties outright as their cost becomes a smaller percentage of my net worth. For now, I just invest 10% of my index fund money into VNQ — an index of real estate holding companies (REITs). It probably won't grow as much as the normal stocks but it generates reasonable, consistent income.

Other ways you could use your money

Angel investing

It's awesome to support your friends but you shouldn't expect to get anything back for a decade plus (if at all). You shouldn't angel invest any money that you can't afford to lose or would change a longstanding friendship. I personally wouldn't ask my friends or family (who aren't already investors) for money unless it was like $<0.1\%$ of their net worth.

In general, to be successful at angel investing you need a large portfolio to have a good shot at actually hitting a home run and making back more money than you invested.

I already have extensive exposure to the startup economy, so I don't plan to personally allocate more than $\sim 10\%$ of my liquid (not my who-knows-what-it's-really-worth startup equity) net worth to this. I'm sure this number will change as my wealth grows and my fundamental needs and flexibility are more assured.

Investing relatively little of your net worth and making a lot of (probably pretty large) investments makes it hard to start angel investing early. If you really just want to support your friends consider asking them if you can do a smaller check. I've seen some founders accept \$1,000 checks from good friends or folks they know will be extremely helpful and easy to work with.

Buying a house

Buying a home is really expensive :(

In some markets like the Bay Area, paying rent can also be cheaper than having a mortgage for the same-sized home ([thanks Prop 13!](#)^[d])

Ultimately, buying a home will always be an emotional decision (it's hard to beat owning once you have kids and really want to invest in a place), but here's a good [rent vs. own calculator](#)^[e] that will help you understand the financial picture.

If you do want to buy a house and will need to borrow money (get a mortgage), you'll probably need to find an alternative financier [if your startup loses money and you own >25% of the shares](#)^[f]. In the past, First Republic and SVB were the primary providers of these loans.

Today, it's less clear but pledged asset loans from the private banking division of someone like JP Morgan, Morgan Stanley, or Goldman Sachs might work. There are also general asset-backed loans and "trust-based applications" if you have other liquidish assets but don't want to have to sell them to buy a house. You should probably talk to a CPA that works with founders about these things.

Crypto

If you want and understand the industry / hype cycles well. 99% of crypto projects are probably going to die / are scams but maybe you know something I don't!

Also fyi crypto seems highly correlated to the price of tech stocks. If tech stocks go down, your crypto is probably going down too so it doesn't really seem like a good way to diversify.

SPVs of Late Stage Tech Companies

This is a really tricky area since there is such a wide variety of companies, prices, and fees to access them.

Investing directly onto the cap table of a company you think is undervalued or reasonably valued? That seems pretty straightforward to develop an investment case.

Investing in an SPV of an SPV that bought shares off an early employee who may or may not have been authorized to sell their shares? Here be dragons...

In more complicated structures it is a good idea to figure out things like:

- To what degree does the company condone my purchase of these shares?
- How much in fees will I pay upfront, every year, and when there's a liquidity event?
- How much money does the investment need to go up in order for me to break even on my investment after all those fees? (if you have annual fees check this on a 1,3,5, etc year time horizon.)
- If via an SPV how much is the sponsor investing alongside me (eg are they rolling their fees into the equity or taking cash out?)

Debt & credit scores

When to consider using debt

TLDR probably only when you buy a home

Debt (or as we say in finance, leverage) adds risk to whatever system it is introduced to. Debt requires you to constantly make payments against it and restricts your flexibility.

Sometimes this feels like a necessity to enable something like purchasing a home. Other times it feels like a way to get something faster like a car, boat, vacation, or pony. The later category (what we call

“consumer debt”) is often hazardous. Consumer debt psychologically enables you to live beyond your means and can be very expensive financially (30% interest rate anyone?) and in your headspace.

It’s probably best to avoid debt unless it is the only way to truly meet a need. Be very aware of the total cost of the debt relative to what you would have paid using only cash. Ask yourself how you would pay the debt back if you lose your job or your company closes. Only agree to take on debt if you are aware of the risks and tradeoffs it brings.

Existing debt

You may already have some debt. This debt adds risk to your personal financial situation in addition to the risk that your startup already brings making it particularly dangerous.

I would strongly encourage you to pay back any existing debt (perhaps with the exception of a home mortgage because of their unique characteristics) as quickly as possible, even if the interest rate is low. Ideally this is done by consistently living below your salary rather than increasing your salary and using your investor’s money to pay for your past purchases.

Student loan debt is perhaps a special case — especially if you have a lot of it, previously had a very high paying job to make payments towards it, and your investors are aware that you will need to use some of their money to take care of this obligation. Even still it isn’t an ideal use of your company’s money.

Credit score

Your credit score affects your ability to borrow and the terms that you’ll receive. If you follow the above advice, this is only really important when you go to buy a home and (much less importantly) [over-optimize your financial life by getting a lot of credit cards](#) [9].

It’s relatively easy to have a good credit score

- set up auto-pay so you never miss a payment on a credit card
 - this is the fastest way to drop your score
- don’t owe a lot of money outside of a home mortgage
 - you read the part above about not doing this, though :)
- don’t forget about things like medical bills
 - if they get sent to a collections agency your credit score will drop
- check your credit score a few times a year to make sure there aren’t any errors
 - if there are errors report them

- Credit Karma is a good, free tool for this

Hygiene — don't mix company and personal expenses

Don't pierce the corporate veil

Your company is technically a different “legal person” than you. This means that if it hurts someone or does something bad you generally won't personally be at fault. Unfortunately, if you don't have a clear separation of your finances, this “corporate veil” of protection can be “pierced,” and you can be held personally liable for your company's actions. This is really serious and can really mess your life up so needs to be done at a bare minimum.

Don't make the IRS mad at you

The US Government's Internal Revenue Service is in charge of taxing the income you make which is made up of your revenue and expenses. Some expenses can be very obviously deducted against your revenue and others exist more on a spectrum of defensibility.

The IRS writes a lot of very long documents to clarify what is allowed and there's a whole discipline called “tax mitigation” that can help you optimize this system. You should probably talk to an accountant if you want to do this in any real amount of depth. As a fun exercise, though here's a list of some things that your company can and can't pay for

pls don't rely on this i'm not an actual tax person i'm just some stranger on the internet

Things your startup probably can't pay for

- The rent for your apartment
- Your groceries for your apartment
- All of your Ubers around town
- Your 8Sleep and Oura Ring

Things your startup probably can pay for

- Business travel
 - which could conceivably if documented correctly and for a short enough duration be an apartment
- Meals when you are on a business trip or discussing business matters
 - the later is usually only 50% deductible

- Transportation to business events
- Your health insurance or medical devices

Another good rule: what would your investors say?

As a broader (and sometimes separate from what the IRS says) rule, consider if all of the expenses your company had were seen and asked questions about by your investors (they probably will be at some point!) If that doesn't sound like an enjoyable experience it might be time for a change :)

Insurance and other risk mitigation

Health insurance (USA)

If your company doesn't offer it, you must buy health insurance for yourself. You'll be fined if you don't have it, and not having health insurance can literally bankrupt you...

If you're under 26 you can be on your parents' plan. Check to make sure their plan is actually good (deductible, out of pocket max).

Buying insurance yourself is straightforward but annoying. The Affordable Care Act (ACA aka Obamacare) established marketplaces in each state that offer plans you can enroll in whenever you switch jobs, get kicked off your parents' plan, or November 1 - January 15 of each year.

To compare ACA coverage, go to [HealthCare.gov](https://www.healthcare.gov)^[h]. Look at the monthly cost, deductible (amount before insurance starts paying), out-of-pocket max (the max cost you'll pay), covered services (the ACA requires things like a yearly physical to be covered, but check how much a hospital stay would cost), and reviews from sites like Reddit. Sometimes, there will be plans that cost more with worse services 😞.

If you're young you can also probably get a "catastrophic plan" that will basically not pay for anything until you've spent ~\$10,000 out of pocket. These plans might make sense if there's a huge savings but do the math. I broke my leg skiing which needed an outpatient operation and the insurance paid over \$43,000! I'm really glad that I only had to pay \$1,000 instead of \$10,000+ for that. In my state, catastrophic plans only save ~\$30 / month so I'm happy to pay an extra \$350 / year to reduce the risk of a big financial hit.

Life insurance

Strongly consider this if people depend on you / your income. There are a few types, mainly "term" (which covers you for X number of years) and "whole" (which covers you as long as you pay for the plan). You should only really consider term life insurance policies since they are cheaper and more

effectively get rid of the risk that you die and your family can't pay the mortgage without your income (hopefully no one is relying on your income when you are 90).

Estate planning / having a will

Your shares and the votes they have are (hopefully) worth a lot. If something happens to you and you don't have a will, the government will undergo a very long and expensive court case (probate) to determine what should happen to the things you own. A will is essentially a document where you say what you own today and who should own it if something happens.

This would be pretty terrible for your company and co-founders so you should probably have a will. I'm not a lawyer but many online services exist to make it easy to quickly create a draft will that a lawyer could then help you edit. It's a good practice (and sometimes the law) to have your will notarized (you can do this at the bank or the UPS store) and to share it with people you trust.

You should probably consider granting a proxy (right to vote your shares) to someone at your company like your co-founder if you don't think the person you'd leave your shares to is in a position to engage in governing a startup.

Tax planning

The money you make is classified either as income or capital gains. In general, capital gains are the difference between the price you paid and the price you sold something (like your startup shares) for and the taxes are a lower rate.

If you hold your shares for more than five years, the shares are probably considered **Qualified Small Business Stock (QSBS)** which means that you won't be taxed on the first \$10m of gains. If you make more than \$10m (nice!) or if you didn't hold the shares long enough there are ways to "stack" QSBS and structure things to reduce your tax burden.

There are many people who spend their whole lives thinking about how to navigate the incentive structures that Congress creates through the tax code. If you're in a position where you may be liable for millions of dollars in taxes it's probably a good idea to talk to one of them who specializes in situations similar to yours.

Tools and reading material

Tools

Empower Personal Wealth ^[j]: track all of your bank accounts, investments, credit cards, etc in one place)

YNAB (You Need a Budget) ^[j]: budgeting tool

Credit Karma ^[k]: see your credit score for free)

Suggested accounts

Fidelity Cash Management Account ^[l]: probably the best bank account for most people

- Reasonable UI
- Free ATM withdrawals (even abroad)

Robinhood ^[m]: probably the best brokerage account

- good UI
- no fees
- bonus for transferring assets In
- if you don't want a second account just use Fidelity

I wrote a guide — **Founder's Guide to Credit Cards**** ^[g] — to credit card points if you're interested in learning how to travel for free and really want to optimize your rewards.

- If you don't travel a ton or spend >\$100k / year on credit cards you should probably just get a 2% cash back card.
 - **Fidelity** ^[n] is a great option if you want to keep things super, super simple.
 - **RobinHood Gold** ^[o] is also a strong option

Further reading

My friend's company Compound has written some awesome **guides** ^[p] and also helps startup people figure out their financial situations

For founders

- **Startup Equity Deep Dive** ^[q]
- **Qualified Small Business Stock (QSBS)** ^[r]

- [Tax Mitigation Strategies for Business Owners](#) ^[s]
- [Exit Planning for Business Owners](#) ^[t]
- [Compound's Guide to Going Public](#) ^[u]
- [Estate Decisions](#) ^[v]
- [Estate Deep Dive](#) ^[w]

For employees or for you to consider sharing with (potential) employees

- [Understanding Startup Offers](#) ^[x]
- [Stock Options 101](#) ^[y]

Links

- a. sqb.super.site/founders-guide-to-credit-cards
- b. pilot.com/founder-salary-report-2023
- c. Copilot.money
- d. reddit.com/r/bayarea/comments/10y7szs/i_sort_of_understand_prop_13_to_protect_long_term
- e. nytimes.com/interactive/2014/upshot/buy-rent-calculator.html
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