

FOUNDERS ISSUE #53: HOW MUCH SHOULD A FOUNDER PAY THEMSELVES

[Fundraising](#) [Newsletter](#)

What's Below in Issue #53:

- A look into how much founders should pay themselves
- Data behind the drop in entrepreneurs
- AMA with Alex Pattis GP of Riverside Ventures and Toviya Slager from Thunder
- Free startup resources
- Premium startup resources

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HOW MUCH ARE YOU WORTH?

How much a founder should make is one of the toughest questions to answer. Taking a too-low salary will mean putting your personal life in a high-stress position while taking a too-high salary will make investors question your business decisions. For many founders, it feels like walking a tightrope – making sure not to take too little or too much.

In general, the bootstrap process requires the founder to live without any paycheck from the startup. This takes much of the glamour away from being a founder. If you did raise money from friends and family, they want that cash to build your business, not going into your pocket. Additionally, building without a paycheck sends investors the message that you are dedicated to your startup no matter how difficult it gets. The last thing an investor wants is a founder who will quit when there is a rough time and needs to cut his paycheck to ensure the rest of the company is paid.

Once the company has generated steady cash flows or you've started raising institutional money, it is generally acceptable to take a paycheck. The question is still how much?

80000 Hours estimates that founders in the Y Combinator program pay themselves \$50,000. This number usually doubles if they manage to raise more capital.

Several services offer a calculator that helps determine where your pay should fall compared to other startups of your size, sector, location, and family situation. The more you have raised and the more your life costs (children, location...) the higher the salary. According to **Kruze Consulting**, the average salaries follow the following scale:

CEO Salary by Total Funding Raised - 2022	\$0 - \$2m	\$2m - \$5m	\$5m - \$10m	\$10m+
Average	\$106,000	\$135,000	\$171,000	\$199,000
Min	\$0	\$0	\$0	\$0
Max	\$350,000	\$400,000	\$450,000	\$410,000

It should be noted that not every situation is the same and founders need to discuss with their board to find a fair compensation package that will keep their family comfortable and allow them to focus on the startup. The compensation should be higher for founders living in expensive cities and have multiple children.

Founders should also consider that their pay sets a symbolic cap for the company. The higher it is, the more other employees will want to earn. Keeping a lean salary will help to keep the entire business expense lean. VCs are looking at the founder to lead by example when it comes to cost savings. Often this will mean large pay cuts relative to the other employees when the market is bad and layoffs are occurring.

Yet, the most important realization for founders is that the money-making is NOT the salary but the equity. According to **Blossom Street Ventures**, the median and average paydays were \$268mm and \$708mm respectively. It is about making it to the finish line and earning a large payday check. However, it does not mean your family needs to starve in the process.

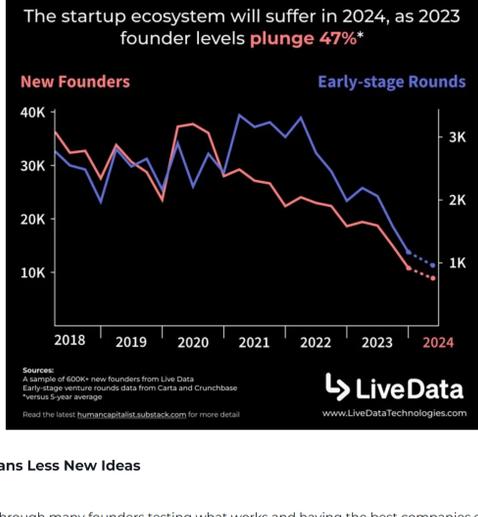
My recommendation...if you're not profitable, and haven't raised institutional capital, don't pay yourself or keep it under \$50,000/year. If you've raised institutional capital, but don't have any revenue, I suggest keeping it under \$75,000/year. If you've raised institutional, you have to pay customers, and you're growing, it's safe to pay yourself \$100,000-\$150,000/year. Just be prepared to cut that salary if things get tight.

If you want to run your situation by us to get a 3rd party perspective, feel free to reply to this email and we will do our best to help you out.

Relevant Articles to Founder Pay

- How much should you pay yourself? - [Medium](#)
- How Founders Decide What They Should Get Paid - [The New York Times](#)
- Most Startup Founders Pay Themselves This Totally Reasonable Salary - [Inc.](#)

Data Corner

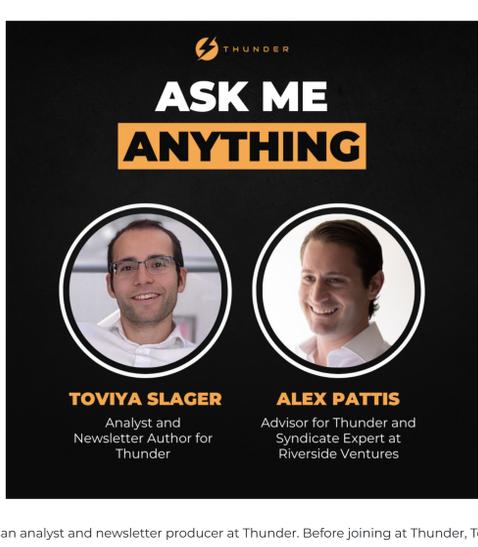


Less Founders Means Less New Ideas

Innovation happens through many founders testing what works and having the best companies succeed. The past 2020 - 2021 were incredible years for founders and innovation. However, the tightening of VC money has pushed many founders out of the ecosystem. This means there will be much fewer ideas to invest in over the next few years.

The positive impact is that the few startups that remain and are being started will likely be more focused on being cash-positive and have strong market-capturing potential.

Exclusive AMA with Our Newsletter Writer and Syndicate Expert



Toviya Slager is both an analyst and newsletter producer at Thunder. Before joining at Thunder, Toviya worked at **Maccabee Ventures** and F50 Ventures, both early-stage funds. He graduated from Yeshiva University with a double major in mathematical economics and psychology, and a minor in finance.

Alex Pattis spent nearly a decade scaling early-stage startups focusing on growth & commercial strategy. Alex is now a General Partner @ **Riverside Ventures**, a venture fund & syndicate, and has invested in 200+ companies. He also wrote **Last Money In**, a newsletter focused on Venture Capital syndicates.

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Premium Resources

- Book a one-hour private capital strategy call - [Book Now](#)
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- Startup Legal Services - [Bowery Legal](#)
- Startup Friendly Accounting Services - [Chelsea Capital](#)

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Let's stay in touch:

Written by Jason Kirby - <https://www.linkedin.com/in/jasonkirby>

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Jason Kirby

Read On

US startups getting stuck at Seed
Companies going from Priced Seed to Series A in <24 months

Data from 8,787 companies that raised a priced seed round on Carta, 2017 - Nov 8, 2021

Founders Issue #52: Why Startups Should Start a Newsletter

Founders Issue #47 What Are Venture Term Loans?

Founders Issue #49: Making of a Unicorn Founder