THE EXIT TRAP

Avoiding the Illusion of Forever Wealth

By: Alon Ozer, Chief Investment Officer
Omnia Family Wealth

YOU MADE IT!

After years of blood, sweat and sacrifice, you finally reached the moment you dreamt of -- your company is being sold. Years of 80-hour workweeks, sleepless nights, and financial risk-taking are about to pay off. The wire transfer lands in your account, and for the first time in years, you feel a sense of financial freedom.

But here's the uncomfortable truth no one tells you: **wealth created through an exit is not indestructible.** If anything, it's more fragile than you might think. The decisions you make now will determine whether your wealth lasts a lifetime or becomes a great story with a sad ending.

Oftentimes, we see similar behavioral patterns with entrepreneurs where they underestimate risk after achieving significant success. First, they do not define what risk means to them, as it changes in this new chapter. Then, they tend to overestimate their ability to replicate success in other areas. They invest much of their wealth in similar industries or startups, which are inherently high-risk, and they almost always underestimate the importance of true diversification. It's a common mistake when investors invest too heavily in certain asset classes, believing they have a good understanding of the risks and mechanisms of the asset.

In addition, wealth advisors sometimes avoid confronting entrepreneurs on important topics, especially when dealing with strong personalities. Entrepreneurs with dominant or assertive demeanors may be resistant to advice that challenges their thinking. In such cases, advisors may hesitate to push them on critical issues out of fear that pushing too hard could drive the entrepreneur away.

While this avoidance may help maintain the relationship in the short term, the long-term consequences can be devastating. **Clients do not hire an advisor to be their friend; they already have lots of friends.**

WEALTH ISN'T STATIC

Think of your wealth as a house you're building. It took years of effort, planning, and resilience to build, and when you're finally done, the maintenance phase begins. The moment you stop maintaining the house, it becomes vulnerable. Inflation, taxes, market volatility, and poor decisions are like cracks in the foundation, walls, and windows, waiting for a hurricane (especially if you're in Florida).

It's tempting to think, "I've made it; I don't need to worry anymore." But the data shows otherwise. Many entrepreneurs who cash out assume they'll never run out of money -- only to face the sobering reality that unmanaged wealth depletes faster than they imagined.

FROM FOUNDER TO STEWARD

I understand -- as an entrepreneur, you've thrived on risk. You invested heavily in your business, doubling down when others hesitated, and you succeeded. **But after an exit, the rules of the game change.**

Preserving and growing wealth isn't about taking big risks; it's about managing risk intelligently. It's about knowing when to hold back and when to deploy capital in a way that aligns with your long-term goals. This shift -- from founder to investor -- is one of the hardest transitions for any entrepreneur.

Without this mindset change, it's easy to fall into the trap of overconfidence: reinvesting too much in high-risk ventures, concentrating wealth into a single asset class, or failing to prepare for the inevitable ups and downs of markets.

THE COST OF COMPLACENCY

History is filled with cautionary tales of wealth that vanished due to complacency.

- The tech entrepreneur who put too much of his wealth into tech stocks, only to watch them collapse in a downturn.
- The founder who thought real estate values can never go down, only to lose most of his capital.
- The family that ignored the need for liquidity, leaving themselves exposed during an economic shock.

But most common is the story of the "diversified" asset allocation. I wrote many times about the fallacy of diversification because it is so important. The conventional belief about diversification is that investing in non-correlated assets will prevent heavy losses that result from poor performance in one asset. This concept is correct, but the reality is not that simple. **Many investors think they are diversified based on an asset's historical correlation, only to find out at the worst time that the correlation between their "diversified" assets is very high, and they all fall at the same time.** Many assets that presumably are not correlated actually share the same risk factors, and correlations between assets will change over time and in different economic environments. These stories aren't rare -- they are the rule for those who don't plan ahead.

THE POWER OF PLANNING

Here's the good news: this isn't about predicting the future or making flawless decisions. It's about creating a plan that accounts for uncertainty and builds resilience into your financial life. Consider the following:

- **Diversification:** Not just across asset classes, but across economic environments -- so your portfolio is prepared for growth, recession, inflation, or deflation.
- **Liquidity:** Ensuring you have enough cash or liquid assets to meet short-term needs and take advantage of opportunities, without being forced to sell at the wrong time.
- **Risk Management:** Understanding that the biggest risk post-exit isn't market volatility—it's failing to adapt to a new role as a steward of wealth.

FINAL THOUGHTS

I wrote about this topic back in 2022 in my memo The Successful Entrepreneur Turned Turkey. Unfortunately for many investors, my warnings became a reality.

The topic of risk management is even more important now. The changing environments over the last several years, record debt levels, and shifting correlations have made traditional asset allocations and risk models obsolete.

Exiting your business is an incredible achievement. But it's not the finish line -- it's a new chapter that demands a different kind of discipline.

Think about the legacy you want to create, the security you want for your family, and the opportunities you want to seize. **That starts now, not later.**