

BUSINESS OWNERS: WHAT'S YOUR PLAN?



THE GOOD LIFE

By Merra Lee Moffitt, AWMA®, CMFC®, CFP®

We're talking your lifetime financial plan, that is. Having completed over 384 written financial plans and calculated numerous 'back of the napkin' plans, each family's lifetime financial plan for first accumulating and then distributing income (into then out-from) various investment vehicles, is unique. Collectively, however, financial plans for business owners differ fundamentally from our friends with paycheck jobs.

Before we go further, let me clarify investment 'vehicles'. By that I mean the plethora of types of savings and tax-preference-d choices such as: Roth, IRA, SIMPLE, 401(k), business-owned account, wealth accumulation account, 529 education account, HSA (Health Savings Account), and many other types of accounts. Each type has its own tax nuanced, age accessibility, time accessibility, and/or usage rules.

Many considerations and calculations for financial planning are similar to our W-2 pals, such as how much will our 401(k)'s be worth if we save dollars \$xxx a

year, invest those dollars prudently, then want to retire when we are 67, or other normal retirement age, and how much can we take out each year (from which specific vehicles) during the years of retirement while not running out of sufficient income before getting hit by the train at 95? You should pick your own favorite demise scenario, of course.

But many issues in financial planning are different for business owners. Here are just a few matters that we discuss when planning with business owners.

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Business Planning Have You PUZZLED?



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Three "Interesting" Tactics for Financial Dynamics:

- 1) Let the additional income from new projects be used for 401k, Roth or retirement plans.
- 2) Use interesting ways to help slow paying customers.
- 3) Pay off the smallest debt first.



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Planning for expansions – What is the best way and vehicle(s) for saving money that works if we want to have money to expand our business? Expansion includes actions such as buying another business, expanding capacity by investing in equipment or buying commercial real estate.

Access to money when business falters – Recessions are normal and sometimes create real hardship for small businesses. Just think about the last two recessions in 2000-2002 and 2009-2010. Small Business owners often feel the worst brunt of downturns in business and end up sacrificing goals like saving for their retirement or even forgoing their own paychecks. We need to factor such possibilities into your financial plan.

Money with dual purpose – How can we put money aside potentially for retirement, yet still have access to that money if some great opportunity or awful calamity happens along the way?

What 'retirement' looks like – Some business owners plan to cut back hours (e.g., working part time), retreat for the slow season (e.g., spending winters in Florida), hiring day-to-day managers (e.g., collecting income while someone else runs the business) or outright selling your business.

What the business will be worth – For business owners who intend to sell their business to retire, there are many outcomes to consider. Consider how much the business conservatively will grow until retirement, normal selling costs, capital gains and sales multiplier for which the business might sell. Of course we must also consider the feasibility factor. Remember the old corner hardware store in town that had been in the family for three generations only to be wiped out by the big box store? Need to make a Plan B, just in case.

Better ways to augment life projects – Business owners can sometimes employ their teenagers through the business to help save and pay for college. Buying investment properties might help the business expand today and then provide income in retirement. Capture new upside from next year's business goals by setting aside segments of any increased income towards accelerating your goals.

Not that there are any guarantees that your Plan A (smooth sailing plan) won't be smashed by life's misadventures, requiring that we fall back to your Plan B (rough seas, back up plan). As a business owner, wouldn't you rather have both of those financial plan eventualities considered for both your family and your business? Better to create both these plans for your family/business now.

Merra Lee Moffitt, AWMA, CMFC, CFP, a small business wealth strategist for Good Life Financial Group, spends all day, every day, guiding business owners, capturing their financial dreams and goals from their small business profits. Okay, a shameless plug. I help busy small business owners to pursue results like these every day. We find the time; we get creative; we make profits happen. Call, click or contact me at 610-488-7353, www.MerraLee.net or merralee.moffitt@lpl.com.

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