Seven Steps to Long-Term Wealth for Business Owners

BUILDING TOWARDS WEALTH

You've built a successful business, and you probably know every detail about running, maintaining, and growing it. **Finding time to create a plan for long- term wealth outside your business can be a challenge**.

Effective financial planning specializing in the unique challenges facing business owners can ensure that your personal and business wealth are optimized across various dimensions.

The good news is – it doesn't have to take a huge chunk of your time.

Understanding where you are, where you want to get to, and then automating where possible and identifying a quarterback for the rest will keep you on plan and
prepare you to make work "optional."

1. Set Clear Goals – and Invest in Them

Your business is your primary source of wealth, and a well-run company with a well-executed business plan could be your best investment. However, your entire financial picture should include a diversified portfolio.

Your investments outside the business should align with your goals as a business owner.

The best approach:

1. Define your personal and financial goals, be clear on each, and enact a defined strategy that will help you achieve them.

2. Start with the end in mind. Be exact about what you need monetarily to retire successfully and build your business and personal plans towards that number.

3. Create sources of wealth that are distinct from your business and provide diversification. These can be investments that can hedge a business downturn or provide a source of liquid capital. Don't put all your eggs in your business basket.

2. Know What Your Business is Worth

You do need to have a clear idea of the "today" baseline. With a reasonable business valuation, you can plan effectively.

Saving

Saving for the difference between the number that you want at your work optional age and the actual value of the business

Increasing Value

Working on how to try and increase the value of the business to help meet your goal at retirement

A formal business valuation can cost upwards of $15,000, but this may not be necessary for planning purposes. You also can work with an advisor and your CPA, to get an informal evaluation, to help you get to an accurate number.

Once you know your starting point, you'll need to identify metrics to improve the business and then find the resources to fix those areas. You may need to improve sales, get better accounting, more efficient inventory management or bring in an outside CFO.

A financial advisor with expertise in working with business owners will have a network to draw from.

3. Don’t Neglect Risk Management

This isn’t investment risk, product, or market risk – it’s about whether you have enough and the right kinds of insurance in place.

This includes liability, commercial, or home-business property, data breach, etc.

Having appropriate amounts and types of insurance on the business owner, their business partners, and their key employees is essential to ensure that business continuity.

4: Manage Taxes, Don’t Let the Tax Tail Wag the Business Dog

For as many different types of taxes as business owners must pay, there are strategies that can help to minimize them.

Tax deductions are an excellent way to reduce taxable income and possibly even reduce tax rates. Good financial planning will properly use the deductions available to business owners.

While you want to avoid taxes, you also want to be careful to manage deductions with an eye to your overall picture.

Taking too many deductions or moving into riskier “grey areas” can create problems in the future.

5. A Good Exit or Succession Plan Has a Long Runway

Making decisions that will be long-term positive for both the business and your own wealth starts early. The process needs at least three years – and that's if your business is on track to produce the value you need.

The additional benefit of always having an eye on an exit, even it's many years in the future, is that it is helpful in honing and executing a good business plan, daily and yearly.

The actual planning will require a host of professionals that specialize in exits.

- Attorney(s)
- Accountant(s)
- Business Broker
- Investment Banker
- Commercial Banker
- Company Execs
- Consultants

Each of these has a role to play at one or more stages of the process. There's one critical role that begins before you start planning, goes all the way through the transaction, and adds value after the sale.

Your financial planner can make sure that your interests are represented correctly throughout and that you keep as much of what you've achieved as possible – so your long-term wealth is protected.

You could have all-stars at every position, but if they are not all operating from the same playbook, with the same vision in mind, you will not be successful.

You are the owner of the team, but someone should be the coach.

6. Save Outside the Business for Retirement – But Do it From Inside the House

Just like if you were a W2 wage earner, you should save outside of the business in accounts structured for that purpose.

For a business owner, qualified and non-qualified retirement plans can boost retirement savings, save business and personal taxes, aid in succession planning, and help to attract and retain talented employees. Adding a cash balance plan or setting up a deferred-compensation arrangement can be the best source of retirement planning.

Safe Harbor 401(k)

Solo 401(k)

SIMPLE IRA

7. Estate Planning is for Every Stage

Your goal in taking the entrepreneurial risk of starting your own business is to do it your way, take care of your family, and leave a legacy. Similar to how you need to separate personal and business goals, you should have a personal and a business estate plan.

While they work together, they have different objectives.

Protecting the value of the business and ensuring the transition through a buy-sell agreement, succession plan or other instruments can ensure your personal estate planning is enacted the way you want.

SEVEN STEPS TO LONG-TERM WEALTH

Creating long-term wealth as a business owner is a process

Any questions we are here to help.

[Schedule a call]