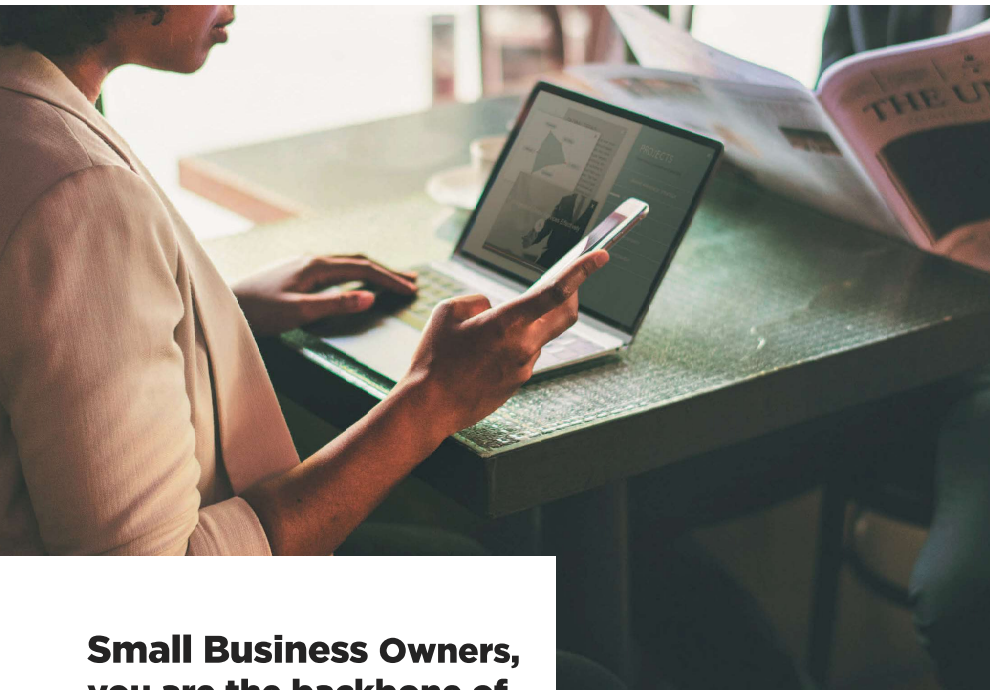




5 of the Biggest **Mistakes** Business Owners Make

How You Can Plan for Your
Retirement and Beyond



Small Business Owners, you are the backbone of the country's economy. Your businesses collectively are worth more than \$11 trillion. And yet chances are you are selling your future financial security short. Especially your own retirement.

Do you find that you are too busy to worry about your retirement plans? Are you relying on your business to fund your retirement? Are you expecting to pass your business along to the next generation?

What if we were to tell you that:

- Only about 1/3rd of businesses survive from first to second generation
- Only 20% of businesses put up to sell ever sell

If you're like most small business owners (SBOs), you probably don't have a viable retirement strategy in place or feel your current plans are inadequate. Whether you're a Millennial looking to the future or a Baby Boomer with retirement looming, now's the time to start.

We've compiled five critical mistakes you need to avoid. We've also included a worksheet to help you get started. Above all, don't go it alone. Work with a professional team that can help you achieve your goals and keep you on target. But first, here are the five critical mistakes you need to avoid going forward:

<https://www.forbes.com/sites/allison/2018/07/13/the-fact-of-family-business/>

<https://www.foxbusiness.com/industry-statistics/that-even-buyers-need-to-know.html>

<https://www.foxbusiness.com/industry-statistics/operational/articles/how-small-business-owners-should-intervene-financially.html>

<https://www.gardian.com/finance/2018/07/13/>

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1 MISTAKE

Not Creating a Retirement Plan



As a business owner, you have too many demands and responsibilities and too little time. It's easy to fall into the trap that something or someone needs your personal attention. This then begs the question, When do you have the time to focus on your personal financial requirements?

The fact is, 30% of SBOs haven't even taken the time to calculate just how much money they will even need in retirement, let alone created a plan. And 75% of SBOs have saved less than \$100,000 for retirement.

Perhaps you're like the majority of SBOs who either don't expect to retire or think it will difficult to completely retire. While that's understandable, what if you become sick or disabled or your personal expectations change? Consider this, in 2016, more than half of early retirements were the result of illness or disability.

Owning a business is no guarantee for your future. You need a plan in order to retire on your own terms...at your own time...with the wealth you need to enjoy retirement.



2 MISTAKE

Not Setting Up a Personal Retirement Program

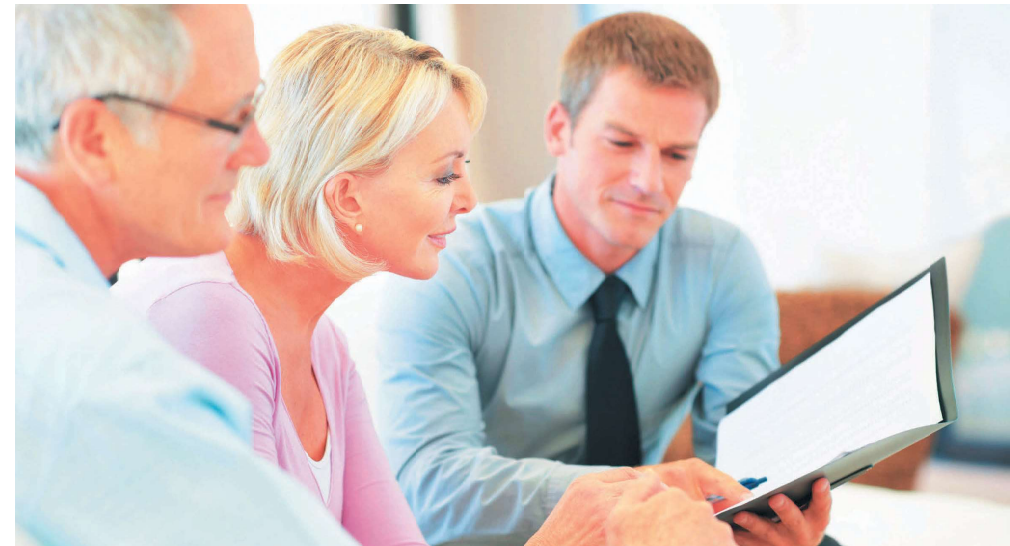
It's such a temptation, as you're building your business, to defer personal retirement investment and saving. There's only so much money each month, after all, for employee salaries, paying bills and reinvesting into the business.

The studies, however, are quite concerning and suggest that small business owners are not saving enough for their own retirement. According to one Small Business Administration (SBA), Office of Advocacy study, only about 36% of business owners have IRAs and fewer than 2% have a Keogh plan.

If you think that your business IS your retirement plan, consider that we live in the age of the startup. More than 500,000 new businesses are started annually. The need for innovative new products and services, the trend toward outsourcing and the rise of e-commerce may make it easier for entrepreneurs to start from scratch. Your business may not serve as an adequate nest egg.

Furthermore, even if you do sell your business, if you have 90% of your wealth tied up in the business and you end up selling your business for 70% to 80% of your asking price (as is often the case), the value of your investment has fallen.

These are all good reasons to have a personal retirement plan that helps to give you and your family adequate financial resources in later years. And there's no time to lose.



3 MISTAKE

Not Carrying Adequate Life Insurance

The SBA estimates that fewer than half of small businesses carry any kind of business life insurance.

But what happens if you suddenly pass away or are disabled? If your money is tied up in the business, how will your family survive? It's estimated that almost half of American households are one emergency away from financial disaster. In fact, some 35 million American households are uninsured, while about half

admit to being underinsured. But in addition to personal life insurance to protect your family, you need to consider business life insurance to protect the continuity of the business.

Business life insurance is a versatile tool. In addition to continuity and even protection for employees, it can support buy-sell agreements, loan re-payments, key-person insurance, creditor protection, and more.



4 MISTAKE

Not Establishing Your Exit Strategy

Given that almost three quarters of business owners expect the business to continue after they leave (only 27% plan to simply shutter the business), it's shocking that fewer than 25% of SBOs have a formal strategy for succession and exit.

The facts about the survival of a family-owned business are discouraging: Only about one third of family businesses pass on to the second generation, and half will not survive to the third generation. US Trust survey of millionaire business owners (with \$3 million or more in investable assets) found that 64% of those 50 and older did not have a formal succession plan. Given the dismal numbers, SBOs can't over-plan for the future.

When considering your exit strategy, you need to 1) identify your personal goals and 2) factor in market conditions and what they may be like by the time you're ready to exit. This is where a professional can help you prepare for a variety of situations.

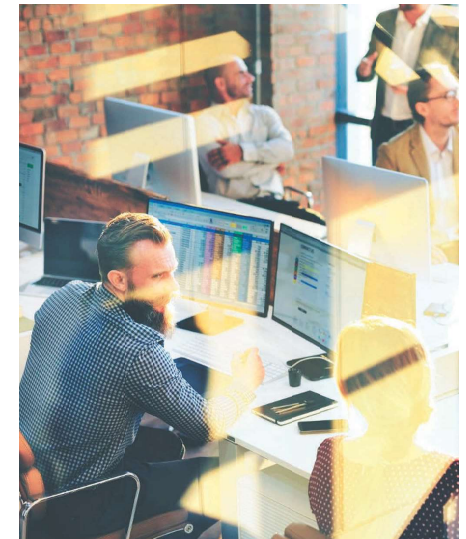
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5 MISTAKE

Not Working with a Professional Financial Team

Businesses hire experts for all types of jobs—public relations and marketing, product design, social media and website development, HR and hiring. When it comes to financial and tax planning, retirement strategies and legal advice, you need the same level of expertise and professional advice.

And yet, according to a TD Bank survey, 73% do not have a personal banker or financial advisor. More than one third go to the Internet and slightly less than half ask family and friends. Similarly, American Express Open Forum reports that only about 40% have talked with a financial advisor.



If you think you can do this all on your own, consider this: According to a recent study of SBO retirement readiness, 62% of business owners who use a financial advisor feel they are prepared for retirement. <https://www.guardianlife.com/small-business-owners-retirement-readiness-study>

Give yourself peace of mind that your golden years are in good hands. If you have financial advisors, work with them regularly. If you're still trying to do this all on your own, take the time to find, interview and hire the experts you need. That's time you'll be able to spend running your business. It's time to make the time.

Worksheet to Jumpstart Your Retirement Strategy

Create Your Retirement Plan

Before you can plan for your retirement (and beyond) you need to define your goals. Once you have a program, you need to commit to staying on track. Don't let your personal plans take a backseat to the daily demands of running your business.

- Outline your retirement objectives (e.g., timeline, salary requirements, lifestyle and distribution of wealth).
- Take actions to set strategies and programs to meet your objectives for retirement and beyond.
- Commit to achieving your goals weekly, monthly and annually.

Purchase Enough Life Insurance for Continuity

You can use life insurance as a long-term savings strategy as well as protection for you family and business in the event of your premature death. A professional advisor can help you identify your needs and select the ideal level of coverage.

- Stress test your life insurance coverage by assessing your risks to know if you have adequate tools to protect the continuity of your business.
- Evaluate your personal life insurance coverage to protect your family and cover debt, mortgage, children's college and household expenses.
- Select an advisor and agency that can meet your family and business needs.
- Re-evaluate your needs regularly.

Put Your Exit Strategy in Place

There are so many exit strategy options. What do you want to do? Take your business public? Pass your company to your children? Find an external successor or sell your business when you retire?

- Define your objective based on the strategy that best meets your retirement needs.
- Work with professionals to assess the value of your company today; revise valuation at regular intervals going forward.
- Once you build your ideal exit strategy, follow through with efforts necessary to achieve your objective (e.g., hire qualified executives, expand productivity/sales, add additional services, increase brand awareness, etc.)



84% of SBOs are satisfied with their financial advisor



83% plan to keep the same advisor in retirement

Source: The 2014 Guardian Small Business Owners Retirement Readiness Study

Assemble Your Professional Team

Based on your personal and professional goals, what does your ideal support team look like? Consider your financial, legal, accounting and tax requirements. In addition to hiring professional firms and agencies, you may need expertise on staff to help you manage these relationships.

- Build your professional dream team.
- Start with your existing professional firms to find the resources you need.
- Interview additional resources; don't be afraid to get several opinions.
- Once you have assembled your team, present your goals for the future.
- Invite your team to present a plan both for getting you to your retirement goals as well as efforts they can manage for you to help you stay on course.

Set Up Your Personal Retirement Program

You have many options for your personal investment and savings that met your retirement goals, salary, years to invest and risk tolerance. You need to separate your personal finances from your business growth plans then balance and diversify both.

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- You have dual financial demands: Plan for the needs of both personal and business requirements.
- Consider all options for investing and saving from annuities to SEP IRAs to stocks to 401(k) and more.
- Be disciplined about your savings and review your investment strategies at regular intervals.

We Are Ready To Help

We understand the challenges associated with starting and growing a business. This is a time-consuming and capital-intensive venture that demands all your energy and focus. We also understand that balance your professional and personal needs is difficult.

We are professional financial representatives, experienced in the many challenges and problems SBOs face in balancing the tasks associated with growing a business and planning personal financial security. To this end, we are prepared to help you overcome your challenges and capitalize of opportunities.

We are available to serve your financial planning needs on both fronts—professional as well as personal. Contact us at your convenience to set up a free, no-obligation consultation to discuss your financial situation—as it stands today as well as your plans and expectations for the future.

In times of economic fluctuations and changing regulations, we believe it is critical to seek guidance from a financial representative. The tips in this report are a helpful overview of what you might need to address for your own retirement, but your complete answers are as unique as you are. From our experience, small-business owners who recognize and avoid these common mistakes—and take proactive steps to plan for the future—are better able to enjoy the lives they desire.

If you have specific questions regarding your needs or about any of the content included herein, please contact us. We look forward to speaking with you.



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