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Have you considered a wealth analysis?

A recent CNBC/FPA Small Business and Financial Planning Survey revealed that 70% of small business owners' wealth is invested in their businesses and 30% outside of their businesses. Also noted was that the most serious financial challenge that small business owners' face today is developing a retirement plan and exit strategy, 42% according to the survey.

Periodic wealth analysis and review can be helpful in developing your retirement plan and exit strategy. A typical wealth analysis is composed of a goals analysis, exit strategy, risk tolerance, and tax efficiency (income and estate tax planning).

Goals Analysis

A goals analysis includes an estimated life time plan for your wealth. Retirement goals include your monthly and yearly budget, lifestyle goals such as travel, your legacy plans for your children or to your favorite charity, and considers inflation during retirement years. The goals analysis calculates the probability of reaching your financial goals. It is best to do a probability analysis that has an 85% or higher likelihood of achievement. For example, computing a plan over 30 years in retirement with an 85% or higher odds of achievement will provide you with piece of mind, especially during volatile times in the stock and bond markets.

Exit Strategy

It is important to plan your exit strategy or consider a plan that allows for you to spend less time in your company and more time with your other interests or hobbies outside your company and still maintain your lifestyle. A best practice with retirement and exit plans is to gradually make changes with time and focus on your passions outside of your company. These passions may be as simple as hobbies or charitable work that you wish to commit more time and energy. A thoughtful, well planned exit strategy is critical for a happy and fulfilling retirement.

Knowing the financial value of your company is a critical step in planning for an eventual transfer to the new owners or the next generation, and is an essential part of your wealth analysis.

Money is only part of the plan. Having in place goals and commitments post-exit are vital for success in the new chapters of your life. Make plans and commitments to occupy your mind and energy that you will have time to fulfill.

Risk Tolerance

As a business owner, risk tolerance has been part of your decision-making on a regular basis. In retirement, risk tolerance is a different issue, because in many situations you will be a passive owner with these investments, not an active owner. As business owner, you have been actively making decisions based on risk and opportunity. With retirement comes this change in dealing with risk and your risk tolerance. Most people do need to take risk even in retirement years.

Some investors do not need to take as much risk and be able to achieve their long-term goals. It is important to understand your risk tolerance in your wealth analysis in order to feel comfortable with the highs and lows of the stock market and focus on your long-term goals, even in situations where there is a short-term drop in your wealth due to market volatility.

Tax Planning

As a business owner and into retirement, income and estate tax planning are key parts of the wealth analysis. As a business owner you are interested in earning the highest after-tax income during the year. In retirement, there are income tax planning choices to optimize your tax efficiency (minimize tax impact) like how money should be subject to ordinary income tax compared to long-term capital gain tax. Also, in some situations estate tax planning is important to minimize or eliminate the estate tax that your children would pay from your estate. Both types of tax planning can be important elements of the wealth analysis.

The decision to lease vs. buy is still important today

For a number of years now we have had extraordinarily low interest rates and terms. In making the decision to buy vs. lease is still a major decision even in these times. Is it best to *lease* rather than *buy* capital assets? One of the major issues in this decision is cash flow requirements for your company. If cash flow is tight, leasing may be the best decision.

Leasing arrangements are a form of finance in which an asset is acquired by a third party, usually a bank or finance company, and then leased to the end user for a predetermined period of time. This arrangement means the business never actually has title to the asset for the term of the lease, although it is allowed to use the asset during that time.

In the usual capital equipment lease the term of the lease will equal the operating life of the asset and the repayments will be geared to the cost of the asset spread over that time, plus a profit margin for the lessor. The lessee is usually responsible for all ancillary costs related to the asset – insurance and maintenance for example. At the conclusion of the lease the lessee will often be able to purchase the asset for a predetermined amount if they wish, though in some lease arrangements the lessee is actually *required* to purchase the asset.

Why would you choose to lease?

- Leasing assets avoids making the large down payment often necessary for asset purchase
- Leasing frees up company funds for other business outlays
- Since lease payments are usually fixed amounts at regular intervals, it simplifies predicting the cash flow situation
- Leasing reduces the amount of debt on financial statements; neither the asset nor the leasing costs show up on the business' balance sheet
- Leasing gives a business greater flexibility for upgrades or improvements to equipment
- Leasing costs are tax deductible, and taxable income is reduced

What you'll need to consider

- With an Operating Lease, the leasing company, not the business, gets the depreciation tax deduction benefit
- Leasing may be difficult to obtain for new businesses that haven't yet developed a credit history
- It can be difficult or very costly to end a lease before it has run its full term
- Some leases come with a variable interest rate that can cause a significant increase in the amount of repayments if interest rates rise
- Leases at fixed interest rates can become relatively expensive even in our low interest environment

The business may or may not actually own the asset during the term of the lease, and the total cost of the lease payments will almost always exceed the cost of the asset involved. Leasing can, however, be one way of getting access to expensive equipment without a huge upfront payment and allow enough time for the equipment to pay for itself as it makes money for the business.

Start by assessing the capital assets your business requires, and then look at options for financing and acquisition. Many vendors offer leasing arrangements on competitive terms with banks and other sources of finance. Once you have these details, consider the relative taxation advantages of leasing versus buying. If you have a profitable business and want to reduce the drain on your capital reserves that would occur from purchasing the asset, leasing could well be the way to go.

Managing time is essential for small business success.

Does time seem to be running away from you? Having too many of those days that are just too short to get everything done? The checklist seems longer and there's no end in sight? You're not alone in feeling like this, and here's what can be done about it.

Start by making a list of everything that you do on a regular basis. Some will be daily events, some need doing each week, some only once a month. Be as complete as you possibly can – whether it's a personal appointment for a haircut or a regular game of golf on Saturday. This list also includes general areas like the time you spend at your desk taking care of the mundane details of the business. Break it down into as much detail as possible, but even if it's just 'being there' put it on the list.

Next, assign an amount of time for each activity on the list. Time with the family, time at the office, time for socializing – these are all things you've done before so you should be able to estimate how long each activity takes. If in doubt, overestimate and don't assume things will get better. (They will, but not yet.) Don't forget to include travel time.

Now examine your list and see what's there that you can eliminate. How important is that TV show you watch every Tuesday night? Look for things that can be delegated to others at work. It may also be time to add a new person to your team if the workload has reached the point of saturation. Maybe an outside contractor or other supplier can take part of the load off of your shoulders and not break the bank.

The work you've done up to this point has been setting the stage for better time management. In effect you've started to structure your daily life by making sure there's time for everything you do in each day. Now you can start refining the list. There are several time management processes you can apply to the list, and these are some of the most important:

1. If there is anything on the list that you're not really equipped to handle, particularly related to your management role, engage outside help to get it done.
2. Arrange the daily list with the most important tasks first. Get them out of the way and attack them at your peak energy level.
3. Anything that has a related deadline should be scheduled for completion well in advance of the time it's due. This is another stress-reducer and keeps you on top of things.
4. Schedule more breaks in the busier parts of the day so you can keep at it until the most critical tasks are out of the way.
5. Be sure you have some flexibility in the schedule. There will always be times when you have to do things you haven't planned for.
6. Analyze each task and evaluate the possibility of doing it another way that will save time.
7. Are there things on the list that can be done by others? Then have them done by others
8. Deliberately allow more time for relaxation and time with the family. This will force you to be more efficient and economical with the time you spend on your business.

Our business, social and family lives all seem to have built in conflicts that mean one, two or all three of them are a lot less satisfying than we'd like. But there are always going to be just 24 hours in a day and 7 days in a week, and we have to sleep sometime. This is why it's so important to learn how to manage time better, and with just a little planning and thought you can budget for more time in every day.

Regular Pieces

How To Make The Most Of Your Newsletter

Be sure to read each article with the mindset 'How could this apply to our business.' Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

An Important Message

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