

5 Small Business Financial Planning Concerns

Small business owners spend years building their businesses. Developing customer relationships, handling employee issues, and managing cash flow are just a few of the areas that require constant, ongoing attention. But there is one area that is too often overlooked. Small business owners need to adapt their own individual financial plans to the new realities of owning a business. Following are a few practical steps business owners can follow to establish a successful financial plan and avoid any small business financial planning concerns.

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1. Balance Business Goals & Personal Goals

The first step in assessing a structured financial plan is setting short- and long-term financial goals. As a small business owner, your business goals should harmonize with your personal financial goals. If your personal assets are funding expansion of your business, your ability to save for retirement or fund your children's college education may be compromised. Since business and personal financial goals can sometimes conflict, it's important to strike an effective balance between the two so you're not impairing the growth of either.

2. Create & Manage an Investment Plan

Many small businesses are self-financed by their owners. Despite having excess capital to invest elsewhere, many owners prefer to invest primarily back into their own businesses. This often results in the business becoming the owner's sole investment.

While many owners believe this is the best use of their investible capital, it often does not provide the best balance of risk, return, and diversification. An investment portfolio tailored for a small business owner should be structured to mitigate the inherent risk of concentrating the majority of investible assets in the business.

3. Establish a Retirement Plan

As a small business owner, there may come a time when you're no longer willing or able to work. It's important to take some time to determine how much money it will take to fund your retirement or second-career dreams.

However, a single-asset retirement portfolio can put a stable and secure retirement at risk. The good news is that business owners can utilize many tax-advantaged ways to save for retirement available only to business owners, such as a Solo 401(k), SEP IRA, and SIMPLE IRA. Planning for retirement is an essential goal that every business owner should consider.

4. Create an Estate Plan

Every business owner hopes to grow the business into a valuable, income-producing asset; however, that should not be your sole focus. It is equally important to develop a plan to pass along the wealth the business has created to succeeding generations. Estate planning starts with setting up a family trust and personal will. This requires careful financial planning tailored to the particular needs of you and your family.

Having an effective estate plan can reduce estate taxes and provide certainty and stability in passing your wealth on to future generations. You can use estate planning to eliminate uncertainties over the administration of your assets and to maximize the value of your estate.

5. Plan for Business Succession

Getting the most out of your business investment includes creating a plan for effective, stable succession. Creating a business succession plan will address what may be the largest part of your estate, and ensure an efficient and tax-effective transfer of your wealth to succeeding generations.

Taking the Steps to Future Growth

Business owners know that obtaining sound, timely financial advice and expertise is a critical component of growing a business. Our team of expert Private Bank lenders and wealth managers is ready to meet with you, learn your specific needs and goals, and answer your questions. Call 866-762-8392 to speak with us about small business financial planning concerns and opportunities for you and your business.