


***"Begin with the end in mind."***

***Stephen Covey***

## Begin with the End in Mind: Why You Should Know the Value of Your Business at All Stages of Growth

In his bestseller, The Seven Habits of Highly Effective People, Stephen Covey wrote, “Begin with the end in mind.” Covey meant that effective people start any project by defining clear measures of success and a plan to achieve them. Business owners who know they want to sell their business and retire someday should start planning for their exit years before that day comes.

That means keeping an eye on value the whole time you're building and running the business. As you get nearer to retirement, you'll be able to calculate how much you'll need to get for the business to afford the lifestyle you want and what you might need to do in order to reach that goal.

Your financial advisor is one of the most important partners on your team as you plan for retirement. We spoke with Kendall Park, a Certified Financial Planner with Raymond James & Associates Inc., who talked about how he helps owners prepare. "We can estimate the amount needed for retirement in a couple of ways," he says. "One is to ask the owner how much he's been earning in salary over the past few years, and how much he'd like to be making in retirement. Let's say that number is $200,000 a year. The calculation for that is $200,000 X 5%, which means he'll need to have $4 million in his retirement account to achieve that number. Then we work from there to figure out how to get to that number."

Park says that for most business owners, the bulk of their net worth is the value of their company. That means its sale will, at least in large part, fund their retirement, although they often explore other options, such as selling off part of the company or leaving it to family. "The tricky part," Park says, "is understanding the business's true value. Just as in real estate, you don't know how much an asset is worth until you find out what someone's willing to pay for it."

**Property Management Business broker Patrick Hurley suggests getting a** complimentary opinion of value **before you meet with your financial advisor.** You'll need this vital information to understand your retirement picture. Park agrees that it can help you get a realistic picture of your financial situation.

"Some owners come in with a number in their heads," he says. "Sometimes it's based on data, but sometimes, it's just wishful thinking." Owners who may have gotten opinions of value, even offers, before the COVID pandemic may find that the market has changed, and they'll have to adjust their expectations.

“When we create a ballpark estimate of market value,” Park says, “we go with the lowest realistic price. Then we see if that selling price (minus the debt and tax the owner might owe) will meet the owner’s needs for retirement. If not, they may need to work for a few more years than they thought to grow the company’s value before putting it up for sale.”

Patrick Hurley works with owners to help them understand how buyers will value their company. It’s always a delicate discussion, he says, because owners naturally consider blood, sweat, and tears when talking about the value of what they’ve built. On the other hand, buyers only care about cash flow, profitability, and potential for growth.

Bigger companies are worth more and are more likely to get offers with multiples, a ratio calculated by dividing the market or estimated value of a company by the value on the financial statements. Multiples are most often based on researching sales of companies of comparable size and profitability, but they’re hard to predict years in advance.

Hurley’s best advice for an owner is to create a plan that includes specifics: the age at which you want to retire, the yearly income you’ll need to support your lifestyle for the rest of your life, the estimated value of your total assets (including and especially your company) and information about your debt and tax situation. Working with your financial advisor and a business broker means you’ll be able to create a clear picture of how close you are to achieving your dream.

**About Patrick Hurley:**

He’s a Tallahassee native with almost 20 years of experience in the property management, real estate, construction, and business brokerage worlds. Having owned, operated, bought, and sold property management companies in the past, Hurley is uniquely positioned to help others in the industry find their exit. He's been described as dependable, highly efficient, effective, and hard-working with a no-nonsense attitude. He takes pride in his professionalism and attention to detail and focuses on his client's desired outcome.

Patrick still meets with every client and passes along as much knowledge as possible. He frequently gives back to the property management community through professional speaking and value-packed article content. When he's not helping others with a business transition, you can find him adventure-seeking with his young family.

## Spotlight

**Masters on my mind.**

# Frank's Desk

**Gone to the Masters.**

# Market Update

| | 12/29/23 Close | 3/28/24 Close* | Change Year to Date | Gain/Loss Year to Date |
|---|---|---|---|---|
| DJIA | 37,689.54 | 39,586.19 | +1,896.65 | +5.03% |
| NASDAQ | 15,011.35 | 16,379.46 | +1,368.11 | +9.11% |
| S&P 500 | 4,769.83 | 5,254.53 | +484.52 | +10.16% |
| MSCI EAFE | 2,241.21 | 2,349.41 | +108.20 | +4.83% |
| Russell 2000 | 2,027.07 | 2,124.55 | +97.48 | +4.81% |
| Bloomberg U.S. Aggregate Bond Index | 2,162.21 | 2,145.23 | -16.98 | -0.79% |

*Performance reflects index values as of market close on March 28, 2024. Bloomberg Aggregate Bond and MSCI EAFE figures reflect March 29, 2024, closing values.

See Full Market Update

# Articles

## Not sure how to have the "family and finances" talk? These tips can help

Conversations with family about money can be difficult and emotional—but they're necessary. Here's help for beginning (and continuing) talks about family finances.

When's the last time you had an honest conversation with a family member about money? Turns out, many of us don't even have open discussions in our own households about finances: 30% of men and 19% of women have a credit card balance their partners don't know about. [1]

But talking about money—what we do with it, what our plans are for it, whether we need help with it—is important, and probably doesn't happen enough. The urgency may be even greater if your family includes people contemplating retiring in the next few years: Over 40% of baby boomers, the generation aged 56-64, don't have any retirement savings.[2]

These tips can help start and continue those important conversations about family and finances.

**1. Start meeting formally about money and family**

Sounds weird, right? But informal chats lead to surprises—and may also end up with friction. Also avoid big days, like holidays; they should be focused on celebration. Instead, set:

- A scheduled time
- A concise agenda; assume you'll have multiple meetings (see step 2)
- A comfortable location
- A small list of attendees—just those playing a role in decisions

**2. Narrow the conversations**

Ultimately what you're worried about may be big. But keep the topics simple: The easier it is, the more confidence you will have in the discussions.

*Family Conversation Starters*

If you're unsure about retirement plans --> "What does retirement look like for you?"

If long-term care may be an issue --> "What worries you about money in the future?"

If you don't know what their legacy plans are --> "How do you want to be remembered?"

If you think they may have financial concerns about income or expenses --> "What makes you comfortable or uncomfortable talking about your money?"

**3. Try to keep emotions out of the conversation**

Many people only start to talk family and finances when they're facing a crisis or having end-of-life conversations. "Talking about your finances at this stage is forcing you to face your own mortality, and that's never comfortable for anyone," says Stanley
Poorman, a financial professional with Principal ® .

These tips might help:

- Write down talking points before you meet.
- Take notes.
- Avoid labels. Just because a sibling made a choice you disagree with, for example, doesn’t mean it’s OK to call them irresponsible.
- End the meeting early, if needed, especially if the conversation becomes heated.
- Listen. Then listen again.

**4. Schedule money and family meetings regularly**

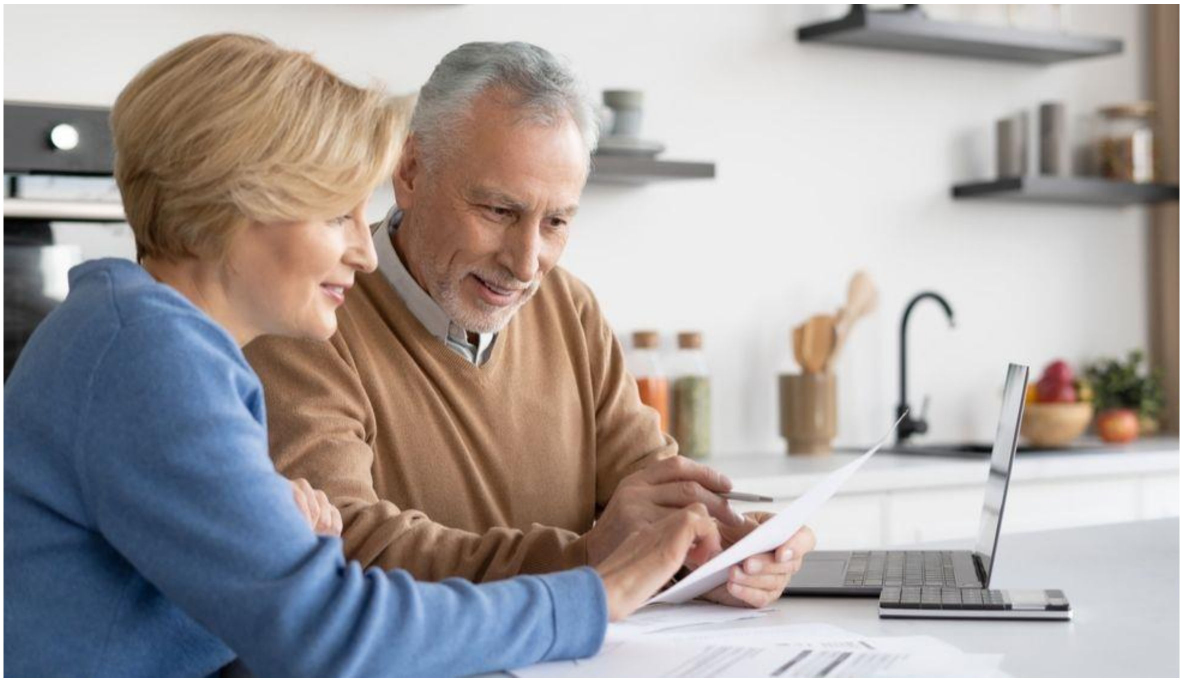
With every successful conversation you have, set a time and a topic for the next discussion. That helps you be specific and supportive; this isn’t the *only* conversation, but the *first* conversation.

**5. Find neutral help if needed**

Poorman helps other people with their money for a living. Still, it can be hard for his own family members to come to him for insight. If you feel stymied or there’s too much tension, a neutral third-party, such as a financial professional, may be able to help. “Sometimes I just put it out there that I can help if they want, and let them come to me,” Poorman says.

That’s because learning how to talk to family about money is hard. “You won’t get it right 100% of the time, but simply starting from a place of good intentions is important,” Poorman says.

Source: Principal.com



## Opportunity blooms in tax season

**TAX PLANNING**

*Whether you get a refund or end up owing, you have options.* Tax season can be a period of new possibilities - especially when it comes down to what to do with your refund or, on the lfip side, how to settle your bill.

**If you receive a refund**

So you worked diligently with your tax preparer to complete your return, only to discover some of the fruits of last year's labor will be coming back to you as a refund. So, what can you do with your bounty? Here are some possibilities:

- **Start fresh.** Strengthen your finances by paying down credit card or any other non-tax-advantaged debt.
- **Cultivate**. Make some improvements to make your home more valuable, comfortable or energy efficient - or get ahead on the kids' tuition.

- **Nourish**. Invest in yourself (a new gym membership or art classes) or someone else (donate to a charity or sponsor a family or individual in need).
- **Replant**. Use that money to get a head start on this year's contributions to your retirement account, or bolster your emergency fund.
- **Plan**. Some say a refund is just a loan you give the government interest-free. Should you reconsider your withholdings so that you come out even next year?

**If you end up owing**

If you end up owing taxes, you'll need to decide how to pay. However, before you write that check or cash in some of your invested assets, consider how those actions may impact you immediately and over the long run.

For instance, liquidating assets in your investment portfolio to pay your taxes may generate new tax consequences and could impact your long-term investment strategy. And emptying your savings account may leave you vulnerable should another unplanned need for cash arise.

Instead of using the assets working toward your long-term goals, consider liquidity and borrowing options based on the value of your assets, or that offer rewards like cash back or redeemable points. That way, you can access the cash you need to pay your tax bill while keeping your assets where they belong – invested.

Looking to mitigate your tax bill next year? Consider these tips:

- **Maximize contributions.** Take advantage of tax breaks in your retirement accounts and make catch-up contributions once you turn 50
- **Harvest losses.** Consider balancing your realized capital gains by selling securities for a loss and mitigating your tax liability.
- **Seek advice.** Contact your financial advisor and tax professional to discuss tax planning.

**Spring forward thoughtfully**

The year's early months are a time of renewal, so use your tax refund wisely, or if you owe taxes, consider your long-term investment plan and borrowing options before uprooting your hardworking, invested assets.

*Raymond James and its advisors do not offer tax advice. You should discuss any tax matters with the appropriate professional.*

## What time is the right time for retirement?

**RETIREMENT AND LONGEVITY**

*Age may just be a number, but when it comes to retirement, it matters.* Retirement is a time meant for enjoying life without the pressure of work. For some, that means rediscovering life with their partner. For others, it means room to dig deeper into a neglected hobby (or find a new one), or traveling to places in your own backyard or abroad. Maybe it's a little bit of all these things.

A recent survey by the Employee Benefit Research Institute found that only 11% of workers plan to retire before the age of 60. But with the right preparation, you can create a retirement plan that will provide you with financial resources and the freedom to pursue your passions, whether you flip the switch at 65, 60 or sooner.

Anything before the age of 60 is considered an "early" retirement.

**Prepare financially**

Meeting with your financial advisor can help you evaluate your situation and create a plan for managing your assets and liabilities. Your advisor can also help you understand your income sources in retirement – such as Social Security, pensions or investments – and help ensure you're on track to meet your retirement goals.

Getting clear on the kind of retirement you want, helps create the groundwork for getting a financial plan that's aligned with your end goal. Do you envision traveling, pursuing hobbies or spending time with family? What kind of lifestyle do you want to maintain? If you plan to travel extensively or pursue expensive hobbies for example, you may need to save more than someone who plans to live a more modest lifestyle.

**Gear up emotionally**

Not only does assessing your retirement readiness involve evaluating your financial situation, but also it requires an honest assessment of your emotional readiness to leave the workforce.

Retirement can be an emotional time, particularly for those who have spent their entire lives focused on their career or building a business. It's important to think about how you'll adjust to find fulfillment and fill your time in retirement. Will you miss the social interaction and sense of purpose that comes with work? What activities will you pursue?

**Find a sense of purpose**

Being proactive with your health through regular exercise, wise eating habits and getting enough sleep can help prevent the need for costly medical interventions down the road and help ensure you get the most out of your retirement. Retiring early if your situation allows may also give you more time to work with your healthcare providers to create a plan to improve or maintain your health.

While physical health is important, finding a creative outlet can help you support your mental health as well. Consider activities that you don't have as much time or energy for while working full-time. What do you wish you could do during your day?

The COVID-19 pandemic and gradual labor market recovery has been accompanied by an increase in retirement among adults ages 55 and older.

**Plan for healthcare costs**

Once you reach the age of 65, Medicare becomes available to you. But if you retire sooner, healthcare insurance to tide you over to 65 can be quite expensive. Healthcare options for early retirees include COBRA, government health insurance marketplace plans, private policies and keeping some form of employment that offers health insurance. There are also services which can assist with finding a health insurance plan that is right for you. Each option comes with its own costs and benefits, so it's essential to weigh your options carefully. For example, if you opt for a private policy, you may have more from which to choose, but the
costs can be high.

It's also important to consider the potential healthcare costs or insurance options associated with caring for an ill spouse or adult children.

**Enjoy a golden opportunity**

By taking the time to rediscover yourself, assess your situation and plan accordingly, you can retire on your own terms whether you're at retirement age or not – and feel confident doing so.

When we retire from work, we don't retire from life – we're simply moving on to another phase. One with opportunities to redefine your purpose, find causes that light you up and embark on adventures that remind you age is indeed just a number.

Sources: aarp.org; cnbc.com; raymondjames.com

*Any opinions are those of Frank Houston and not necessarily those of Raymond James. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct.*

*The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.*

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