BUSINESSDIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR

A survival guide for entrepreneurs

Part two: Prepare for the demands of growth

Congratulations! Through hard work and perseverance you've taken an idea and turned it into an honest-to-goodness business. The early days are behind you. If you'd like to take a moment to pat yourself on the back, go right ahead. But don't take too long because now it's time to focus on the challenges and opportunities that come with growth.

GROWING PAINS

As your fledgling business gains traction, you and your investors or partners will look to hire talent or attract additional funding. As a relative newcomer, both may be easier said than done. Talented professionals may be hesitant to take the leap with you. And that can be, well, disappointing.

GROWTH TAKES SUPPORT

While you'll need employees to help keep your business running, you'll also need relationships with external professionals, including:

- An accountant and attorney
- An insurance broker
- A real estate representative

If you have a team in place, that's great. But never shy away from evaluating performance or the ability of each to keep up with the demands of your growing business. Your financial advisor likely has worked with several of these experts and can help you with evaluations and selection.

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A survival guide for entrepreneurs (cont.)

DEFEAT DISAPPOINTMENT

Disappointment comes with the territory. There will be times when you'll have to run lean, unable to raise enough capital; or times when you make a mistake that hinders growth or simply make the wrong call. The good news is overcoming these roadblocks will take you further down the road to success.

Next time you find yourself disappointed, frustrated or angry, take the time to dissipate those powerful emotions. Bad decisions get made in the throes of negative feelings, especially when combined with pride, but you might be able to avoid that if you wait 30 to 40 minutes before committing to an action. After you take a mental break, focus on positive ways to approach the situation you're in.

FINANCE YOUR FUTURE

As your company grows, you'll want to revisit your own financial plan and diversify your personal assets away from the business and into a retirement plan. Ask your advisor about saving for retirement and establishing a holistic wealth management plan that includes business valuations, real estate values, your personal and professional liabilities and insurance. Policies to consider include liability, property, business interruption, key person, life and disability as well as health and long-term care.

You'll also need to think about retirement for your employees. Your financial advisor can help identify a plan that fits your business and budget. For example, a 401(k) plan may have higher administrative costs than a Simplified Employee Pension (SEP) plan or a Savings Incentive Match Plan for Employees (SIMPLE), but a 401(k) plan provides more liability protection for a business owner's assets.

PLAN AND PREPARE

At every stage, you'll also want to tax plan. Tax planning is a year-round activity that takes into account your overall financial situation. That way, you won't embark on a business tax-saving strategy that can undermine other financial goals. For example, you may be tempted to consider changing the ownership structure of your business to reduce your tax liability. But a change could affect your ability to shield personal assets from business creditors. Think ahead, think big picture and think smart. Your financial advisor and tax professional can help. ■

SOURCES OF FUNDING

There is a lot of competition for venture capital, so you may need to rely on alternative funding.

Here are a few options, each with its own benefits and considerations. Ask your financial advisor and tax professional if any are right for your situation.

- Self-funding through savings
- Lines of credit
- Loans or investments from family and friends
- Angel investors
- Crowdfunding*
- Grants

*This describes the donation crowdfunding model only. Visit sec.gov for crowdfunding regulations.

A 2009 study found that preparedness, not passion, attracted venture capital.

Pair passion with preparation.

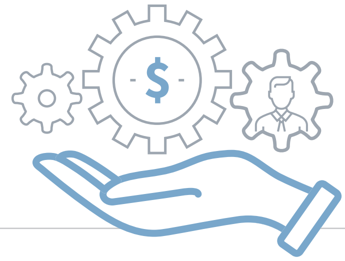
Source: https://journals.aom.org/doi/10.5465/amj.2009.36462018

NEXT STEPS

Talk to your financial professionals about:

- Funding that your business may require as you grow.
- Coordinating your personal and professional financial planning with retirement planning.
- Evaluating your professional team for performance and the ability to keep pace with the demands of your growing business.

Create a legacy that will last long after you sell your business

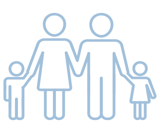


You've taken your business from a struggling startup to a successful full-scale enterprise and now you're ready to sell. And if you plan to use the proceeds to enrich your family's future, there are a few steps to take to help ensure this newfound wealth will one day become a lasting family legacy.

WHERE DID THE MONEY GO?

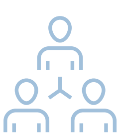
Financial services research firm Cerulli Associates reports that nearly 45 million U.S. households will transfer $68.4 trillion in wealth (some from the sale of a family business) over the next 25 years. Unfortunately, approximately 70% of family wealth disappears when it's distributed across multiple generations. There are many reasons to explain why. Statistics say wealth transfers fail because most families don't have the ability to make joint decisions or can't make a system work with multiple stakeholders.

To stack the odds in your favor, you'll need to bring people together, learn each other's dreams and values, and create a strong family unit even as the dynamics change through births, deaths, divorces and second marriages. Here are some guidelines to help make this happen.



BUILD A STRONG FAMILY

Family strength comes from more than wealth – it emanates from strong individuals. To strengthen your loved ones, begin by supporting their goals and dreams. Help them build the confidence, resilience and perseverance to achieve their own success. Bolster their emotional maturity and values so they'll make mature financial decisions.



INTRODUCE YOUR FAMILY TO "THE PLAN" ...

Tell your family about your will and other estate planning documents that will be in place after the sale. To help, connect your loved ones to those who've helped build your plan, such as your estate attorney, accountant and trust professionals. Your advisors can help them gain the knowledge necessary to carry on your legacy. One caveat: Be clear with how much you want your advisors to share with your children.

... BUT DON'T DIVULGE EVERYTHING AT ONCE

The promise of sudden wealth may inspire your children to rest on your laurels, so to speak. So balance educating them about your circumstances with encouragement to make a life of their own as independent, responsible, productive citizens. Any potential inheritance should be viewed as a safety net or a gift that must be treasured, not squandered.

EDUCATE LOVED ONES

Share how your wealth was built and how you view money's purpose. Explain how grandma and grandpa rolled up their sleeves and invested time, sweat and tears into building a business from the ground up. And share the values that went along with that success, so your heirs will understand how diligence, delayed gratification and good stewardship benefit not just them but also those to come.

HOPE FOR THE BEST BUT BE REALISTIC

These steps may not work for every family, but they provide a starting point. And remember to be realistic. We can have high expectations of our children, but some can't or won't live up to them. However, if you keep all this in mind before you sell your business, you'll have the best chance of keeping your wealth within the fold. ■

NEXT STEPS

- Plan times for one-on-one sessions with family members to learn about their values and to talk about their dreams and how best to pursue them.
- Teach younger children the value of self-reliance and the personal fulfillment of being a responsible citizen.
- Introduce family members to your financial planning team.

Blow your marketing horn without blowing your budget

Here are cost-effective ways to stay in front of customers

When it comes to marketing, high audience impact doesn't always require high dollar spending. And always remember: No amount of marketing can sustain a business if there isn't sufficient customer service or product quality to back it up. With that in mind, here are strategies that can help stretch your marketing budget further in 2020.

SOCIAL MEDIA

The most commonly used social media platforms for businesses are Facebook, Twitter, LinkedIn and Google+. Facebook advertising is cheaper than Google AdWords, and you can filter your audience based on many parameters like interests, marital status, occupation, income, relationship status, etc. When it comes to your social media business pages, interaction is the goal, so remember to encourage exchanges of information; in short, have a conversation. Ask your followers to share pictures of their interactions with your product or service through Twitter, Instagram, Tumblr or Pinterest. Monitor which platform works best and you can narrow your focus to improve your marketing efficiency.

CONTENT MARKETING

There are several forms of content marketing, including:

Blog – You can create a blog or assign it to an employee. Make sure the information is relevant to your audience. Look around for topics that engage your audience – perhaps look at what your competitors are talking about – and find topics that subtly emphasize the value of your product and service while providing valuable content to your audience.

Infographic – People like sharing information, and infographics provide an enticing mix of data and design. If you have data but no flair for design, Canva offers a free infographic generator.

Video – Want to show customers how to use your product? Create a video and post to your YouTube channel. You can measure your return on investment (ROI) with the number of views and shares, and you can also determine which videos are most popular – even the videos your competitors post.

EMAIL

According to the Direct Marketing Association, email marketing on average sees a 4,400% ROI for businesses in the United States. This means regular emails to your current clients with coupons or other incentives can result in valuable repeat business. To build your list, tell new customers about the discounts and sale notifications they will receive and provide an incentive to join. Online tools like Constant Contact provide a great, cost-effective platform.

REFERRALS

There's no better "share" or "like" than a satisfied customer telling someone else about your business – and it's hard to find any medium more efficient or effective. So spend time to ask for customer referrals and make word-of-mouth marketing a standard operating procedure.

These are only a few of the many strategies available. But if you take the time to learn about your audience and their media habits, you'll be on the right path. ■

NEXT STEPS

- Identify social media relevant to your target audience and begin posting to these sites.
- Check your current email list to see if it's up to date.
- Develop a system for asking customers, both current and new, for referrals.