

# BUSINESSDIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



## A survival guide for entrepreneurs

### Part three: Prepare for the emotional and practical demands of releasing the reins

You've spent years building and nurturing your business. There were days when you wore too many hats and ran out of time before the to-do list was done. You've seen firsthand how hard work pays off. And it was worth it. The same can be said for when you're ready to let someone else take over. The work you put in up front makes it that much easier to hand over the keys when you're ready. In our final part of our survival guide for entrepreneurs, we take a look at succession. How to put together a strategy, what factors to look at ahead of time and all the emotions that go along with it.

Many business owners don't take the time to develop a succession strategy for when they want to – or need to – leave the business. But the time to think about succession –

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#### A SMOOTH EXIT

- What amount will give you financial independence – now and when fully retired? Your financial advisor can help you project how much income you can expect after a sale.
- Who will you sell to? A key employee group, family or third party?
- What are the tax implications of a sale or transfer?
- When do you want to transition out or step back? New owners might want you to stick around for a set period of time to protect their investment and ensure a smooth leadership transition. This is a key part of business continuity planning and should include a contingency/catastrophe plan.

## A survival guide for entrepreneurs (cont.)

whether you decide to sell or bequeath the business – is while you're still in good health and the business is strong. That way you'll be in a good place to negotiate and won't be forced to make decisions under difficult circumstances. Planning ahead can create a stability that helps the business thrive before, during and after the transition.

This stage is the doozy. Not only are you attached to a business that you've nurtured from idea to startup to maturity, you've likely got your own identity wrapped up into your role as business owner, emotionally connected to its history of growth and success. Make no mistake, the transition phase can be bittersweet – a mix of loss, relief, exhaustion and, eventually, elation. You'll have gone from the heady days of hope and hard work, through the slog of growth and daily operations, and now you are thinking about giving up control. This is the time when you need to redefine your role, whether to remain tangentially a part of the business or fully hand over the reins to someone else.

Like with any retirement, redefining yourself can be harder than you think without the construct of your professional identity. Without the responsibilities that dominated your time, you may feel untethered, which can cause a different type of stress. What does the next “act” look like for you? Hobbies, travel, family, a new business? Think it through to avoid future regrets.

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### ELATION

That burst of joy, that feeling of dreams coming true, may spring up at the first sign of an interested buyer and a large financial gain, or the first time you see your successor handle a difficult negotiation and you can see a new chapter unfold for both of you.

### EMPTINESS

The other side of the coin is a feeling of *is that all?* Once a sale is final, a feeling of boredom may set in. It may be difficult to get energized about something else compared to the go-go days of starting a business. Like with any major shift, finding

a new normal takes time. You may be inspired to start another venture or you may feel deflated. Every retiree will face this in one form or another; it's a process to come to terms with a new pace of life. But don't worry, you'll get there.

### FINANCIAL CONSIDERATIONS

Business succession is complex, but you and your advisor can tap into strategies to help refine your plan. Options include specialized trusts (e.g., revocable living trusts, intentionally defective grantor trusts, grantor retained annuity trusts) and self-canceling installment notes and intra-family loans. Some assets will require more legal footwork to handle properly during the legacy planning process, such as real estate, intellectual property, and certain types of stock, business partnerships and promissory notes. And your advisor can help you understand the advantages and considerations of each. Together, you'll also want to think through how to provide an inheritance for a child who is unwilling or unable to be active in the business, as well as your plans should you have to leave the business before you're ready (e.g., disability, divorce, distress or disagreement).

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### A MARATHON, NOT A SPRINT

Launching, running and saying goodbye to a private business is not for the faint-hearted, but the rewards can make it all worthwhile. Expert guidance can help you make objective decisions even when riding the emotional highs and lows that come with being a business owner. Even better, that guidance will help you see – clearly – what's next for you. ■

### NEXT STEPS

Ask yourself:

- When do you want to retire? Do you want to sell your business, pass it down to the next generation, or close it?
- What do you want life to look like post-retirement? Consider hobbies, travel, projects or family in the equation.
- How much income will you need? Talk to your financial advisor about what your ideal life looks like post-retirement and what financial strategies will help you get there.

# Doing good to do well



## Giving back can be very good for business

Did you know that **82% of all U.S. consumers consider corporate social responsibility** when deciding what products or services they buy? This staggering statistic suggests that as an entrepreneur you can't afford not to make giving back one of your key goals. Not only can it lift your bottom line, it can lift the spirits of your employees and elevate your brand. Here are four ways giving back can benefit you, your business and your staff.

### LOYALTY



Businesses like Toms Shoes have giving back built in. For every pair of shoes bought, they donate a pair to a child in need. This do-good philosophy has propelled them to be a multimillion-dollar company with undeniable brand recognition and incredible loyalty among their 90-person staff. Allowing and encouraging employees to pursue their own charitable or community passions can generate fierce loyalty, too. Employees who feel the business they work for supports their passions or values are more willing to go the extra mile, might work the extra hour and take the time to make sure your business is running smoothly.

### INCREASE YOUR REVENUE



Women drive 70% to 80% of all consumer purchasing – and are much more likely to buy from socially responsible companies. By 2020, millennials will have a collective spending power of more than \$1.4 trillion and are willing to pay more for a socially responsible product (women millennials even more so). With two of the biggest market segments buying from companies who do good, investing in charitable causes is a smart way to help your company do well.

### BOOST YOUR REPUTATION



Distinguishing your business from your competitors by giving back can also boost your all-important word of mouth and social media presence. While you are giving back, you build trust and goodwill among people in your local community, as well as potential new customers. Someone who has had a positive interaction with you or your business at a community or charitable event is more likely to recommend you or your services to family and friends.

### LOWER YOUR TAXES



Giving back can have added tax benefits as well. If you are organized as an S-corporation, you can deduct charitable donations on your income tax returns. And your charitable contributions don't just need to be monetary – they can be in the form of equipment or other types of donations. Check with your tax professional to be sure the organization you are giving to is a registered nonprofit that has official recognition from the IRS.

### NEXT STEPS

As you think about increasing your philanthropic endeavors, here are some steps you can take:

- Ask your employees about their charitable passions. Allot a certain number of paid hours they can use to volunteer at their favorite organization.
- Talk to your financial advisor about creating a strategic giving plan, personally and professionally.
- Showcase your company's community spirit on dedicated social media pages. Get snapshots and short videos while you or employees are on-site at a charitable organization and talk about what you are doing and why. Invite customers to participate, too.



## Bulletproof your brand

### Make your brand impenetrable with these strategies

Your brand is the essence of what you do and how you do it. It's how you are perceived as a company, what you deliver, and your logo and visual brand elements, the uniqueness of your products and services and your reputation – all rolled into one. With so many things at stake, how do you protect your brand?

#### BRAND BASICS

In 2018, the owners of internet sensation Grumpy Cat® took on a huge beverage company claiming that it used Grumpy Cat's name without permission – and because they had filed trademarks on Grumpy Cat, they won \$700,000 in court. Begin with filing basic legal protections for trademarks, patents and copyrights and consult an attorney who specializes in your industry. Set up Google alerts to make sure your brand name or product isn't being used by someone else. But besides these basic brand building blocks, there's so much more to protecting one of your most valuable assets.

#### LIVE YOUR BRAND

Once you've covered your brand basics, look at some of the more intangible brand protections you can create. It all starts with building something worth protecting, something you are proud of. With all the time and care you put into building your business, make sure to live your brand personally. Your brand and mission should be reflected in person, online and in the way you interact with your community as a business. Present yourself at the office with professionalism and respect for others. Make interactions with customers and vendors fun and engaging. Personifying your brand wherever you go and with whomever you meet can go a long way toward ensuring your brand aligns with your own values and ethics as well as your customers'.

#### SET EXPECTATIONS

Social media is the modern day word of mouth – it can sink or lift your business. Create a handbook of expectations for employees online and in real life. Offer pointers and even copy examples of how you want them to mention your company online and in social media channels. Employees spreading goodwill is one of the most powerful tools you have at your disposal.

#### APOLOGIZE

Suppliers don't deliver on time, shipping gets delayed, there are thousands of ways things can go wrong in your business and customers may not get what they ordered or expected. When KFC UK ran out of chicken, they won the social media day by creating memes about how slow their chickens were to cross the road – and set up a website to find out where the chickens were. Take a cue from KFC and offer specific, complete and detailed apologies to anyone who is inconvenienced – and turn the snafu into an opportunity to connect and demonstrate your values. ■

#### NEXT STEPS

When it comes to bulletproofing your brand, here are some basic steps you can start with:

- Make sure all your brand assets are protected with basic trademark, copyright and patent protections.
- If you don't already have a legal resource to help protect your brand, ask your financial advisor who's likely worked with specialized attorneys over the years.
- Create a handbook of expectations for employees. Give guidance on how to talk about your company that reflects your brand values.

Sources: USPTO; Yahoo Small Business; U.S. Copyright Office; Forbes; Business2Community; Entrepreneur; Small Business Trends; JC Social Media

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