

BUSINESSDIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



Money management tips for high-net-worth individuals with variable income

Don't let income variability erode your established wealth

Variable income adds a layer of complexity to an already challenging goal: effectively managing your money as a high-net-worth individual. Perhaps you're a successful online entrepreneur whose monthly revenue varies based on seasonality, or maybe you make high commissions on sales a few times each year. Whatever the source of unpredictability in your income, mastering your cash flow is the foundation upon which you can build other needed components of your financial plan, such as retirement and estate planning.

So where do you begin? And what strategies can you use to inject some predictability into unpredictable circumstances?

Below are tips on how to build a stable base upon which all other financial planning depends.

UNDERSTAND YOUR INCOME AND SPENDING

The first order of business is to gain clarity on your monthly and annual income and expenses. Your accountant and other members of your financial team, such as a daily money manager, can prepare this analysis.

Your team should distinguish between essential and discretionary spending and between recurring and infrequent expenses. Your accountants can also identify income trends and the range of variation, noting how low or high your monthly and annual income is likely to be.

BUILD AN AUTOMATED, PREDICTABLE SYSTEM

With this overall picture of your cash flow in place, you and your team can build a system of rules and automated transfers to defined accounts or buckets within accounts.

For example, many high-interest online savings accounts allow you to create defined buckets or separate savings accounts. Your team can designate buckets or accounts for different expense categories (quarterly taxes, healthcare spending, vacations, etc.) as well as create an emergency fund for truly unplanned expenses.

As you earn your variable revenue, you can automate and distribute a percentage of your income to designated buckets. For instance, setting aside 25% of your income for your

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Money management tips for high-net-worth individuals with variable income (cont.)

quarterly tax savings account. Your team can also create automatic withdrawals from these designated accounts or buckets to pay these expenses when they're due.

ERR ON THE SIDE OF OVER-SAVING

Because of the variable nature of your income, with some periods being better than others, your team should be able to propose a specific savings percentage to harvest extra savings from strong months and years. This will then cover periods when your income expectations may fall short. Rather than treating your established wealth as its own cushion, your goal is to avoid eroding your wealth in any way during lean periods.

Let's say that your team has found that your income from year to year varies by 25%, and your annual expenses can fluctuate up to 30%. In a bad year then, when income is at lowest and expenses are at their highest, you might have as much as a 55% total change in cash flow.

To prepare for such contingencies, you could establish a specific savings account to cover worst-case scenarios in addition to your emergency fund.

Of course, there are other approaches your financial team might suggest, but the idea is to establish a system that prepares you for any contingency.

IDENTIFY OPPORTUNITIES FOR LOWERING EXPENSES AND INCREASING INCOME

Having mapped both the big picture and the small details of your cash flow, your team can likely also identify expenses to reconsider and opportunities to grow revenue.

Your advisors can also look at your income return on various investments and suggest new potential investments.

Navigating health insurance One fixed expense you'll have, of course, is your health insurance. While your variable income doesn't necessarily limit your choices, your lifestyle may demand greater service than what you'll find on the ordinary health insurance market.

If you travel often or even spend significant time in various locations around the globe, you need global coverage and digital services available 24/7.

The good news is that various companies offer solutions that provide online medical consultations in whatever language you require, personalized concierge-level services, and coverage for in-person care around the globe.

BUILD ON A FOUNDATION OF PREDICTABILITY

With your new cash flow system in place, your financial team can turn their attention to optimizing your tax and retirement planning. Your new system will have already set up automatic savings for tax payments as well as automatic investments in retirement accounts.

Now, your advisors can discuss various strategies to minimize your taxes, such as tax loss harvesting, separately managed accounts, and variable annuities.

Likewise, your advisors might suggest maximizing your retirement accounts, favoring Roth contributions, and pursuing alternative investments, such as private equity.

Thanks to the comprehensive picture you have of your cash flow, you'll be able to make these investment decisions knowing that they won't jeopardize payment of other expenses.

The clarity of your overall financial health will help facilitate your planning for generational wealth transfers as well as your legacy and estate. ■

NEXT STEPS

- Request that your accountant and other members of your financial team collaborate to develop a full picture of your income and expenses.
- Ask your team to propose a system for managing your variable income that includes automated transfers and distributions as well as sufficient savings to cover worst-case scenarios.

Sources: smartasset.com; investopedia.com; watrust.com; synovus.com; foyerglobalhealth.com

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Reduce risk in your hiring process by reimagining it

Overcome the limitations of interviews and strengthen your support of new hires

Tired of generic advice on hiring? At this stage of your career, you likely already know interviewing best practices. So how can you further improve upon your candidate review process?

Consider this: Maybe the standard approach of a conversational interview is part of the problem. After all, you wouldn't choose a long-term romantic partner based on a mere conversation, no matter how clever your scenario-based questions.

So, what's the alternative? Below we suggest how you might reimagine hiring to better assess and support top talent.

TAILOR YOUR APPROACH TO THE ROLE

What skills are needed in the role you're hiring for? Mostly technical skills? Or interpersonal aplomb? Maybe both?

Whatever the case may be, craft your candidate review approach to test for those skills. Don't merely ask about those skills or even pose scenario-based questions. These indirect assessment methods aren't likely to give you or the candidate a clear sense of whether they're right for your needs.

Instead of interviewing candidates, audition them. If the role is predominantly technical in nature, craft a technical task for candidates that emulates the actual challenges they'll face in the role. If the position instead demands social finesse, conduct a role play exercise in which you see how well the person thinks on their feet.

Of course, let the candidate know beforehand about your non-traditional review process.

ELICIT AUTHENTICITY AND BUILD RAPPORT

You can still have a conversational interview with the candidate. But instead of the normal stiff proceedings, in which both sides are trying to adhere to a playbook (serious questions on one side and carefully rehearsed answers on the other), instead have an actual, authentic conversation.

You can get candidates to let down their guard by letting down your own. Talk about mistakes you've made or challenges you've struggled with. Ask them how they might help you with these issues.

Tell them what you value in an employee and what your expectations are. Ask them what they're looking for in an organization. The more genuine you are with a candidate, the more likely they are to drop any inauthentic behavior or answers.

SUPPORT THE EMPLOYEE'S COMPETENCE AND GROWTH

What happens if you hire a seemingly great candidate, and they underperform or struggle to integrate with your culture? The rapport you built during the interview will help you talk to them and find out what's wrong. Maybe they're overwhelmed. Or bored. Or unsure of cultural norms.

Often when a new hire struggles, the problem isn't the worker; it's instead ineffective onboarding or support.

Building social activities into your company's work calendar and assigning a mentor to new employees are just two ways you can effectively support new hires. It's also a good idea to communicate your company's larger purpose and help new employees see their work as meaningful. ■

NEXT STEPS

- Connect with your hiring team to develop a new standard operating procedure for evaluating candidates, emphasizing testing candidates on role-related tasks.
- Talk to your onboarding team and human resources professionals about developing an expanded approach to supporting new hires.



The many business benefits of participating in charity

How to involve your employees and customers in the process

With your business's success, it's only natural that you begin to look for ways to give back to your community. Corporate giving will not only be personally fulfilling, but it also holds a number of benefits for your business. But before you begin supporting your favorite causes, it pays to consider how corporate social responsibility can impact your company — and how to identify the right charities to support.

PROCEED CAREFULLY WITH CORPORATE SOCIAL RESPONSIBILITY

The charitable organizations and objectives your company supports can significantly impact your company's reputation. If your giving is authentic and aligned with your values, you'll likely earn goodwill with your customers and employees. But if your organization's support seems insincere or opportunistic, it can inflict significant damage.

For instance, when Kellogg's UK seemed to promise to give meals to children in need based on the number of retweets of a message, observers accused the company of caring more about boosting their social media engagement than children in need.

INVOLVE YOUR MOST IMPORTANT STAKEHOLDERS

Because of the high stakes in rolling out a charitable campaign, it's crucial to involve your most important stakeholders — your employees and customers — in the process.

In fact, according to a study conducted by Benevity, 84% of consumers and 86% of employees believe they should have a say in what charities a company supports.

Involving your employees in the process can also boost morale, helping your professionals feel good about their connection to your organization. This employee goodwill in turn strengthens productivity, retention, and recruitment.

You can gather your employees' and customers' input through email surveys with incentives, informal discussions, and organized meetings.

CONSIDER CAUSES LIKELY TO ALIGN WITH YOUR ORGANIZATION

Causes that directly relate to your organization's core mission are strong candidates for your organization's support. For example, if you build custom software solutions for companies, perhaps teaching children to code would be a suitable cause. You might also build software for organizations with limited means.

Similarly, if your core mission is selling an eye health supplement to consumers, you might support eye care for those without access to medical care. Or you might support research on eye health.

Of course, there's no rule against supporting a cause that doesn't have a clear nexus to your organization, particularly if that cause is something your stakeholders advocate for. But supporting a cause related to your mission will make sense to outside observers, whereas support for unrelated causes may seem like tokenism if not handled in a sensitive manner. ■

NEXT STEPS

- Identify charities whose focus may relate to your core business mission; if there are none, consider creating your own charity.
- Survey customers and employees about which of the identified charities they'd like your company to support, and gather suggestions.
- Continue to confer with stakeholders as you decide on how to support chosen charities or as you build your own charitable foundation.

Sources: forbes.com; heraldsun.com; benevity.com; goodbox.com; americanexpress.com

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