



PLANNING CONSIDERATIONS FOR SMALL-BUSINESS OWNERS

Small-business owners have unique financial challenges. Is your advisor prepared to meet them? The number of small businesses in the United States total 33.3 million and comprise 99.9% of all U.S. businesses.¹ Despite that, small-business owners, particularly baby boomers who own 51% of privately held businesses,² can lack the financial guidance they need.

CONSIDER THE FOLLOWING

- 75% of business owners would like to exit their business within the next 10 years.³
- 36% of business owners say exit planning is their top priority.⁴
- 4.5 million privately held businesses will transition by 2034, representing \$14 trillion of business wealth.⁵

It is important for small-business owners to understand how their personal and business finances are interlinked and how challenges or shortfalls within one area may be reflected in the other. As a business owner is developing his or her long-term plan, we believe it is important to address the following issues.

LONG-TERM BUSINESS PLANNING

Just as you work with an advisor to build a personal wealth plan, it is important that business owners develop a mid- to long-term vision and plan for their business. Often, a good starting point is to obtain a business valuation, which can provide you with a deeper understanding of your company's strengths, weaknesses, risks and growth opportunities.



Depending on where you are in the life of your business, you may also consider engaging additional expertise to help with succession planning, valuation and/or financing options. It can be especially beneficial to work with an advisor who has this type of experience in-house, as this can potentially lower fees and help ensure collaboration across all areas of your long-term plan.

RETIREMENT PLANNING

While many employees of corporate America are secure in the knowledge that their employer provides a 401(k) plan to help them save for retirement, many small-business owners neglect to develop a retirement saving plan of their own. The first step is to design a long-term personal retirement plan. The benefits of creating such a plan include helping the business owner:

- Define “retirement” and his or her retirement goals
- Understand cash flow needs today and what they may be in the future
- Understand the importance of saving outside of the business
- Plan for a future business transition

There are several options available to help small-business owners save for retirement, including:

- Simple
- SEP
- 401(k)
- Defined benefit plan



ESTATE PLANNING

Estate planning is especially important for family-owned businesses. There are several important issues a business owner should consider when planning his or her estate, including developing a plan to smoothly transition the business from one generation to the next and addressing any liquidity issues that may impact the transition.

In addition, it is important to review any existing estate planning documents, such as wills and trusts, to ensure they address the transition of not only personal assets, but business assets as well.

TAX

There are often significant opportunities available to business owners to reduce their tax liabilities.

It is wise to begin the tax evaluation by reviewing the business structure (sole proprietorship, LLC, S corporation, C corporation, etc.) for potential improvements. Also, consider developing a tax-advantaged investment strategy to help ensure your investments are as tax efficient as possible.

INSURANCE

As you plan for future opportunities, don't forget to address future (and current) risks. Ensuring adequate levels of insurance coverage is a key component to the long-term success of any business. It is important to analyze coverages for each of the following:

- Life
- Key person
- Buy/sell agreements
- Disability
- Umbrella
- Business insurance (workers' compensation and other commercial lines)
- Long-term care

YOUR PARTNER IN SMALL-BUSINESS PLANNING

We understand the challenges faced by business owners. We specialize in addressing each of the planning considerations mentioned above as we create long-term plans to help our business owner clients grow and protect their businesses, mitigate risk and establish transition plans. Our services for business owners include:

- Sell-side and buy-side M&A advisory services
- Business valuation services
- Tax consulting and preparation, including creative tax analysis and year-round planning strategies to help ensure efficiency in the business's tax plan and compliance
- Trust, estate and multigenerational planning services to help plan for the next generation of business leaders
- Cash flow and underwriting services through a captive management solution
- Tax-efficient investment strategies based on a combination of proven investment techniques and a deep understanding of the current market environment
- Retirement plan design and consulting services

¹ [Small Business Profiles for the States, Territories, and Nation 2023](#)

^{2,3,4,5} [Exit Planning Institute, 2023 National State of Owner Readiness Report](#)

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