

COMMONLY MISSED OPPORTUNITIES FOR BUSINESS OWNERS

HOW TO GROW YOUR SMALL BUSINESS IN A BIG WAY



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Would you be surprised to learn that most business owners aren't aware of some of the most beneficial planning ideas available to them and their businesses? As a financial planner who works with countless closely-held business owners and owns a small business myself, I've noticed that even the most successful companies are missing out on some incredibly rewarding strategies.

No matter the size of your company, proper planning – financial, employee retention, and owner succession – is critical to a business's overall well-being and success.

Below we highlight five strategies business owners should be aware of and implement.

1) Fund Buy/Sell Agreements with insurance

It is common for business owners with one or more owners to have a Buy/Sell Agreement, but very few of these utilize insurance to provide coverage in case of an owner's death, long-term sickness, or injury. Options for insurance to solve this gap are: whole-life, disability buyout, and term life. Term life policies may be an affordable option to meet your needs.

Why this is important: If something happens to one of the owners, the other owner(s) may be legally required to buy out the deceased or disabled owner. This can cause severe strain, and your lending institution may not be able to provide affordable terms at the passing or disability of an owner. I've met many business owners with this gap in their plans, and the results can be devastating.

2) Prioritize Key Person Planning.

How do you ensure that your top team member(s) doesn't leave you and head to your competitor? What if something happens to them in a tragic accident? How would that impact your company? There is likely to be significant aftermath. You can be prepared and potentially even prevent these situations with simple, integrated solutions. Consider working with an attorney

and financial planner specializing in insurance to create a deferred compensation plan and key person life insurance plan. This same policy can even informally fund the deferred compensation payout if appropriately structured.

Why this is important: Protection is essential to both your team members and your company. This is a win/win situation as team members are less likely to take a job elsewhere when they feel secure and well rewarded. At the same time, you can protect the business against unforeseen circumstances.

3) Offer a Retirement Plan.

Retirement plans aren't just for big businesses. Even smaller companies should consider offering some form of retirement plan early in the business's existence if possible. 401(k)s are great but can be difficult or expensive to manage. IRAs, SEP IRAs or SIMPLE IRAs are fantastic alternatives that offer similar value without the higher cost or hassle.

Why this is important: Retirement plans have become necessities for attracting and retaining top talent. If employees aren't receiving this benefit from your company, they will likely look elsewhere.

4) Offer a basic package of employee health benefits.

Health insurance is a basic benefit that many employees expect. While people can get health insurance on the open market, most prefer to get it through their employer. Consider adding in short-term and long-term disability coverage as well. It is often more straightforward and less expensive than you may think.

Why this is important: Most business owners need health insurance for themselves, and getting this as a group is often cheaper. The same goes for short and long-term disability insurance, which can be guaranteed issue. Group life insurance is a similar product that can be obtained at a low cost for a group without underwriting.

5) Secure Corporate Owned Life Insurance (C.O.L.I.)

Most large businesses are well-versed in C.O.L.I., but that is often not the case for smaller or mid-sized companies. In fact, a majority of banks and Fortune 1000 companies have some version of this in place. However, it is not just for big businesses. There are also many benefits for small and mid-size companies as well. The key to fully utilizing this concept is to overlook the words "life insurance" and focus on the numbers instead.

Why this is important: While there are many reasons a corporation may own life insurance on key employees, one key benefit stands out for companies with more than 100 employees. For example, if a company has minimal debt and at least 20 key leaders on its executive team, it can get a guaranteed issue life insurance policy for the group. With proper structuring, the benefit can be split between the company and the employee's beneficiaries, and the cash accumulation value of the policy might be a net positive to the company's balance sheet and cash flow within the first year.

Most business owners assume that whole life insurance, as a business strategy, will be a slow-growing asset that requires underwriting. Luckily that isn't always true. Savvy companies reposition a portion of their corporate cash into these policies, adding an additional employee benefit and key employee protection for the company. This repositions cash from low-interest taxable savings into a vehicle that grows tax-deferred and potentially a higher yield.

These aren't one-size-fits-all solutions, but there are many ways to make them work for your business, regardless of the size. You can grow your small business in a big way by simply leveraging these commonly missed opportunities

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