

5 RETIREMENT MISTAKES SMALL-BUSINESS OWNERS MAKE

And How to
Avoid Them



WHALEN
FINANCIAL

YOUR PERSONAL CFO

As a business owner, you face unique challenges and opportunities when building a financial future. This special report provides insights on mistakes to avoid and steps to take when building the retirement you desire—while managing your myriad responsibilities.

Small-business owners are an essential component of America's economy. In the United States, 99.7% of all firms are comprised of small businesses with 500 or fewer employees.¹

Too often, however, a small-business owner spends so much time and energy building their company that they neglect their personal financial future.

With this report, our goal is to show business owners how to maximize the value of their companies with business strategies that may also help them prepare for retirement.



1

Create a Retirement Roadmap

One-third of small-business owners don't have retirement strategies in place.²

Building, running, and growing a company is tough. Business owners have countless responsibilities and too few hours in the day. Often, in the midst of fulfilling your professional priorities, you end up putting your personal financial life on the back burner.

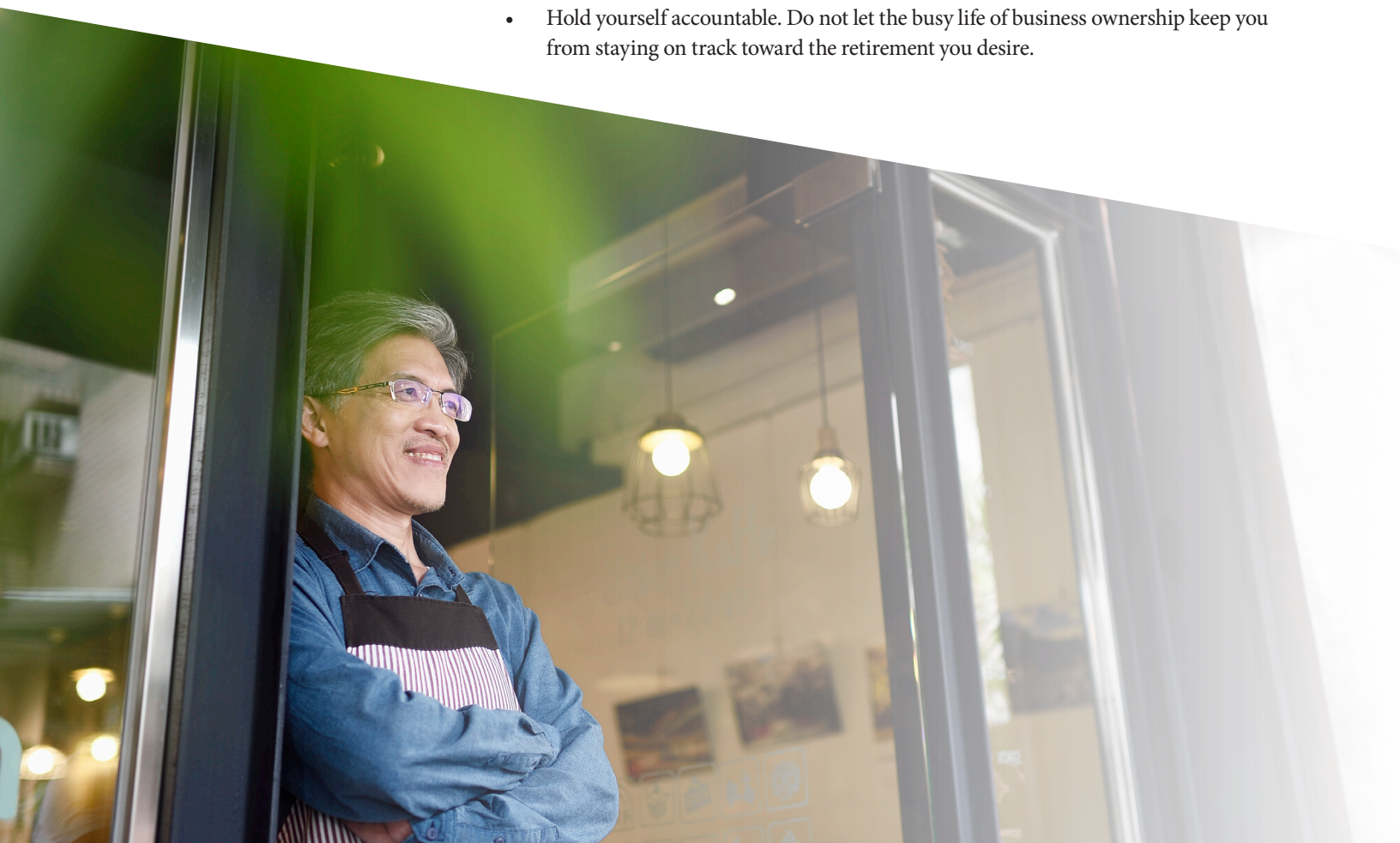
If you have not prepared for your retirement, you are not alone. Many entrepreneurs think growing a business is all they need to retire. However, just having a business does not automatically mean you have a retirement strategy in place. Without a documented roadmap—one that goes beyond the hope of simply selling your business or passing it to your family—you could end up pushing back your ability to retire. In one survey, 34% of respondents said that they have no retirement strategy, while 12% have no plans to retire at all. Both of which are likely short-sighted.³

Delaying retirement is not always an option, though. Life often brings surprises, and you cannot always control when you will retire. For example, you may retire early because of certain challenges, such as health problems or a disability. In 2020, only 28% of retirees were very confident in their ability to cover medical expenses during retirement.⁴

To help ensure that you can experience retirement on your terms—rather than reacting to what life or the business world throws your way—you need to proactively address these items... today.

WHAT TO DO NOW

- Define your ideal retirement. Clarify when you want to retire and what lifestyle you hope to enjoy.
- Build strategies to address your retirement. Determine the actions needed to fill the gaps between your current assets and the income you will need to support your desired retirement.
- Hold yourself accountable. Do not let the busy life of business ownership keep you from staying on track toward the retirement you desire.



STRATEGY

2

Have an Exit Strategy

Nearly one-third of U.S. businesses survive to the second generation—and only 12%, to the third.⁵

For many business owners, the idea of selling their companies for top dollar or passing them down to future generations is a retirement dream. Many entrepreneurs, however, are not doing the work necessary to turn this dream into a reality. Studies show that 50% of business owners plan to leave their businesses in the next decade. However, fewer than 30% have a business succession plan. One-third of business owners plan on their retirement to begin sometime between their mid-fifties and mid-sixties.^{6,7}

No matter how long you want to work and how much you love your business, a clear exit strategy is necessary to help foster the company's longevity and preserve your financial health. If you want to be able to retire when and how you would like—and have your business last beyond your career—you need an exit strategy for accomplishing that goal.

WHAT TO DO NOW

- Define your ideal exit strategy. Do you want to sell your business? Pass it to the next generation? Find an outside successor?
- Determine the real value of your business. Hire a qualified professional to provide a clear valuation of your company as it is today. Depending on how far you are from retirement or exiting, you might need to revisit this valuation in the future.
- Create a strategy—and stick to it. Your exit strategy might require you to hire new people, adjust your services, or implement a number of other changes.

STRATEGY #3

Separate Your Retirement Savings

Trying to build retirement savings, while you foster your business, can be challenging. With only so many dollars to go around and an endless list of professional expenses, you might rather reinvest in your company. However, even if you are ready to sell your business at retirement, you need to have savings that are completely separate from your business.

The reality is that solely relying on the value of your business to carry you into retirement is a risky approach, which can easily backfire. Not only can industries change, and companies falter, but many baby boomers are selling their businesses right now, which could potentially make a sale tougher in some markets.

Would you and your family be able to enjoy a comfortable retirement without your current income or profits from selling your business? If the answer is no, now is the time to start building your savings.

WHAT TO DO NOW

- Balance your personal and professional finances. When deciding how to invest your available assets or what salary to draw, make sure you focus on addressing both sides of your financial life.
- Explore available retirement-savings tools with your financial professional. With the passage of the SECURE Act, many rules regarding retirement plans have changed, making this a great time to evaluate your strategy.
- Review your budget and create a disciplined savings approach. Identify ways you might be able to trim your current expenses or save on your tax liabilities. Also, establish a habit of regularly contributing to your personal retirement savings.

In one survey, 61% of respondents claimed that preparing for retirement makes them feel stressed.⁸

STRATEGY #4

Get Sufficient Life Insurance Coverage

In an effort to save money, some small-business owners don't carry any insurance at all.¹⁰

Most people are familiar with life insurance, but the role this product plays for small-business owners often is more complex than for the typical individual. Of course, sufficient life insurance can help protect your family's financial security if you were to pass away. A business owner, though, could have an extra liability: business collateral. If you take out loans to support your business, using personal assets as collateral, and you pass away, your family members may be on the hook for that debt, which could jeopardize their financial standing. However, life insurance provides an added layer of protection for your loved ones.¹¹

Keep in mind that this article is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your legal or tax professional before considering using personal assets as collateral.

WHAT TO DO NOW

- Analyze your current life insurance coverage. Do you have the right tools? Do you have unrecognized gaps?
- Address your family's life insurance needs. Calculate your total debts and expenses to find the amount your family would need if you were to pass away prematurely.
- Uncover the opportunities life insurance may bring to your business. Work with a professional to determine how life insurance might be able to help support both your business needs and retirement goals.

* Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.



5 STRATEGY

Hire Outside Support

Over 60% of small-business owners report that regulations negatively impact their growth.¹²

Running a successful small business requires a number of skills—from delivering your product or service to managing employees and growth. Accustomed to shouldering a vast number of responsibilities, many business owners seem to forget they do not have to do it alone.

Hiring outside help not only gives you access to experienced professionals who can apply their expertise to your specific needs, but it can also save you significant time. In a 2019 survey of almost 2,285 growth-oriented small businesses, over 60% expressed challenges with understanding and managing laws and government regulations.¹³

In fact, they spent an average of 6 hours a week just dealing with regulation and tax compliance.¹⁴

So, business owners have both personal and professional financial strategy needs on top of regulatory and tax burdens, thus, increasing their need for professional support.

WHAT TO DO NOW

- Determine what professional support you need. You likely should consider hiring a tax professional, attorney, and financial representative. Your unique circumstances might require additional support.
- Ask your professionals to work together. Aligning your financial life requires an understanding of its many facets. Make sure your support team has a clear picture of how your various pieces intertwine.
- Embrace the benefit of outside professionals. Your financial representative and other professionals are there to help support your needs with their guidance. Let them provide the insight you need and take the weight off your shoulders.

HOW WE CAN HELP

Launching and growing a small business is a challenging, time-consuming endeavor that is not for the faint of heart. As experienced financial professionals, we are here to help you overcome the obstacles that business owners often face and help you seize the opportunities before you.

In times of economic fluctuations and changing regulations, we believe it is critical to seek guidance from a financial representative. The tips in this report are a helpful overview of what you might need to address for your own retirement, but your complete answers are as unique as you are. From our experience, small-business owners who recognize and avoid these common mistakes—and take proactive steps to plan for the future—are better able to enjoy the lives they desire.

We know balancing your personal and professional priorities is tough. We are here to serve as a resource for you and your family. We are happy to discuss your current financial situation and future goals.

If you have any questions about the information you read or would like to discuss your specific needs, please contact us. We would be delighted to speak with you.

Sincerely,

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FOOTNOTES, SOURCES, DISCLOSURES

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These are the views of Platinum Advisor Strategies, LLC, and not necessarily those of the named representative, Broker-Dealer, or Registered Investment Advisor, and should not be construed as investment advice.

¹ Fundera.com, April 15, 2020

² Score Association, April 9, 2020

³ Forbes.com, February 23, 2020

⁴ Employee Benefit Research Institute, April 23, 2020

⁵ PwC, 2019

⁶ The Canadian Federation of Independent Business, November 2018

⁷ Score Association, April 9, 2019

⁸ EBRI.com, 2020

⁹ BizBuySell.com, 2020

¹⁰ FitSmallBusiness.com, 2020

¹¹ PolicyGenius.com, 2018

¹² GoldmanSachs.com, 2019

¹³ GoldmanSachs.com, 2019

¹⁴ GoldmanSachs.com, 2019



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