

Considerations for Working with Business Owners

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When looking at what makes a successful business owner, characteristics such as future-focused, action oriented, and self-fulfilled tend to come to mind. These are often traits associated with individuals most likely described as being pro-active, results driven, and very apt at successfully leading their business. This is why it is surprising that according to AMEX Open Forum, “only 40% of small business owners have consulted with a financial advisor¹” and “less than 25% of them have a formal plan for transferring their business to a new owner when approaching retirement²”.

Working with a large number of business owners, we have learned there are several considerations to be mindful of when working with these individuals. Business Owners frequently have a lot of projects in motion both in their businesses and personal life. As a result it is not uncommon for them to need quick access to large sums of money on short notice for purchasing capital equipment, real estate, and even other businesses. They may also need to make short term loans from time to time to their company from their personal assets for inventory purchases, payroll, tax payments, or emergency expenses. As a result, we always look at investments for business owners in three buckets:

- Bucket One – This is a cash alternative bucket which can be available on short notice. We look at short term alternatives designed to earn more than they may get sitting in a checking account or money market, but still are designed to be low risk and volatility.
- Bucket Two – The second Bucket is for money seeking higher returns and which are not expecting to be needed for at least a 3 to 5 years. For this we may consider a diversified portfolio with a combination of equities and fixed income. We may add a sleeve of commodities like oil, gold, silver, or other investments depending on market conditions. These investments, while invested for longer term, are generally liquid if needed within a few days.
- Bucket Three – The third Bucket is for money which is not expected to be needed for 5 to 10 years or longer. This bucket may have several different goals like seeking higher returns, low volatility niche strategies, or offer a different asset class like some distressed asset or a distinct private business opportunity. Sometimes these niche strategies may have special tax benefits designed to solve a specific tax problem, such as further deferring a large taxable gain. Many of these type of investments may be specifically designed for High Net worth Investors and have minimum requirements for income and net worth.

In addition to assisting with investment assets, it is common for us to help business clients with the liability side of the balance sheet. We may set up working capital loans or bridge financing, which can be available on demand as needed. These can be structured with interest only payments or interest and principal payments, and they can usually be paid off anytime without penalties or restrictions. For real-estate or

other longer-term projects, we have all the resources of Raymond James Bank as well as numerous relationships with outside companies.

It's important that everyone on the business client's team is working cohesively and often we take the responsibility of being the facilitator to make sure everything goes smoothly. We frequently meet with and talk with our clients CPA's, Attorneys and other professionals to help insure things aren't falling through the cracks.

We assist our clients with company retirement plans, personal retirement planning, estate planning, gifting, life, disability and long term care insurance, and business evaluations and transactions. Handling this broad range of important concerns for our clients mean we sometimes need to talk frequently. We always give consideration to their busy schedules and try to make their time as productive as possible. We also follow up all substantive communications with summarized points of discussion and timelines.

Trust and respect are two aspects key to any advisor-client relationship, but they are especially important to a relationship with business owners. A study conducted by Securian Financial Group revealed that a strong relationship was the most important factor for business owners when selecting a financial advisor³. Business owners are accustomed to being the boss and expect to be treated as professionals; however, over time most of our client relationships with business owners have resulted in personal friendships, so we always try to be clear in our communications what is professional advice and what is friendly conversation.

¹ Dan Moskowitz, *Do Small Business Owners Need Financial Advisors?*, (Investopedia).

<https://www.investopedia.com/articles/personal-finance/051915/do-small-business-owners-need-financial-advisors.asp>

²Russ Alan Prince, *The Appeal of Business Owners for Financial Advisors*, (Forbes, 2016).

<https://www.forbes.com/sites/russalanprince/2016/04/18/the-appeal-of-business-owners-for-financial-advisors/#ebfaf0546858>

³ Moskowitz, *Do Small Business*.

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