

Six Major Questions business owners should be answering

An accountant who does work for us out of Colorado Springs, Kathy Bylka, sent me an email piece about Six Major Questions business owners should be answering. I thought she brought up a number of excellent points and observations for business owners to consider. Her website is <http://www.taxladyllc.com>.

#1: Is the value of your business firmly established?

- Have I ever had my business value appraised by an outside party?
- Do I have a formal buy/sell agreement in place?
- Is my buy/sell agreement funded?
- Does my buy/sell agreement adequately protect my heirs, my business, and my partners?
- Has this agreement been reviewed in the last 3 years?

If you have any plans to someday extricate yourself from your business (and you should ALWAYS consider your exit strategy), these are critical questions.

#2: Do you have an emergency plan?

- Do I have a will, and is it up to date with my business wishes?
- Do I have a plan to retain key employees if something were to happen to me?
- Are my assets protected from potential litigation?
- Have I identified and written down my trusted advisors?

Unless you plan to forever cheat death, a business owner would be foolish to not prepare for that event.

#3: What is to happen next?

- Do I have a formal succession plan prepared and on file?
- Does my succession plan have a provision for disability?
- Have I involved both family members AND key employees in my succession planning?
- Do I have a disability buy-sell, or overhead expense coverage?
- Do I have contribution protection for my retirement if I were to become disabled?

Again, these eventualities always seem remote on the front end ... but if your

answer is "no" to more than a couple of the above questions, it would be a good idea to get in contact with someone competent to help you fix it.

#4: What are your retirement plans?

- Do I know how much income I will *actually* need at retirement?
- How much control in the business must I maintain to secure my retirement income?
- Have I looked into financing options for key employees to buy me out?
- Do I want to be running my business, full-time, five years from now?
- Do I have contribution protection for my retirement if I were to become disabled?

Too many business owners view their business as their "retirement cash cow" ... but have not made serious plans for how it can BE that cash cow.

#5: Are all of your eggs in one basket?

- Do I have reliable investments, other than my business?
- Will my business assets account for less than 25% of my retirement plans?
- In the past year, have I spent more than one hour planning my retirement?

If you haven't diversified your retirement income outside of your business, you could be in trouble.

#6: Is there a REAL tax strategy?

- Am I pro-actively planning to deal with tax law changes?
- Have I determined my financial goals -- and how taxes will affect them?
- Will I maximize my tax-free earnings in retirement (and before retirement)?
- Do I have an exit plan for my business -- and is it written down?

Again, all of these issues always seem "procrastinate-able" on the front end ... but **if you don't have a good answer to more than a couple of the above questions, you might be cruising for a financial bruising.**

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