

10 Tips for Small Biz Owners

Small businesses owners should conduct an annual assessment of their personal finances. Owners of small businesses have much the same concerns as everyone else, except they are personally responsible for the fortunes of their enterprise. In a sense, a small business is like a family. And these are important families in American economic life. After all, small business is vital to the U.S. economy, employing half of private-sector workers and creating two-thirds of net new jobs, according to federal data.

Here are 10 tips to follow in weighing a small business owner's financial plan:

Budget/Saving. The general financial planning rule is that you should save AT LEAST 10% of your income on an annual basis. You should also review short-term and long-term goals to ensure you are saving enough to meet your objectives.

Maximize Contributions to Retirement Plans.

Depending on the size of the company and number of employees, there are many different methods to save for retirement. On an annual basis, business owners should work with their accountants/advisors to determine the most appropriate savings vehicle. Retirement plans include: 401(k)s, individual 401(k)s, individual retirement accounts, Simplified Employee Pension (SEP) IRAs, Roth IRAs, defined benefit and defined contribution plans. This will not only help achieve the goal of saving 10% of your income, but it also can help minimize taxes.

Create/Review Estate Planning Documents. It is important to create wills, living wills, medical and financial power of attorney documents. These documents should be reviewed annually as your personal goals and estate laws change.

Life Insurance. Various types of life insurance are available, including whole life, variable life, universal life, universal variable life and term policies. They provide a death benefit when the owner of the policy passes away. It is important to review your policies yearly to ensure the coverage is adequate to protect your loved ones. Also, financial situations may change, and you may no longer need the full amount or type of coverage you own.

Disability Insurance. Statistically, you have a greater chance of premature disability than premature death. Therefore, it is very important to own adequate coverage to provide for you and your dependents if you are not able to work. Annually, you should review your policy for the type and amount of coverage.

Business Insurance. As a business owner, it is important to own insurance that will allow your company to run if you are unable to actively participate in its daily operations. This insurance may be used to hire a person to substitute for you, or to replace income from your business if the company no longer exists.

Long-Term Care Insurance. Due to the increasing costs of health care, long-term care insurance policies

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are evolving to deal with them. Many older policies have become more expensive to maintain or no longer provide enough coverage to meet long-term care expenses. Each year, review the costs and necessity of these policies.

Education Planning : 529, Coverdell, Uniform Gift to Minors Act (UGMA), Uniform Transfer to Minors Act (UTMA) Plans. Much like health care costs, college education expenses have increased well beyond average inflation levels throughout the past decade. Several college savings vehicles are available to provide tax advantages and an array of investment options for college saving. These savings plans require thorough annual review of performance and expense levels.

Tax Planning. Annually, you should meet with your accountant to discuss tax-planning strategies. Tax laws frequently change. In addition, there may be changes to your business that could affect your taxes both at the business and individual level.

Investment Allocation. Review your entire investment portfolio to ensure it is allocated to meet your current and future goals. As your goals and needs change, your portfolio allocation should be readjusted accordingly.

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Let's Have a Conversation

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