

# BUSINESS DIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR

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## Plan beyond the present

Your business deserves an “estate plan” that prepares it for whatever comes next.

You’ve invested much into making your business successful: hard work, time, money, energy. It’s hard to imagine your business without you, but a thoughtful succession plan can help ensure your business enjoys continued success for generations to come.

A thorough succession plan, one designed to protect your business and your legacy, considers the whole picture, including your exit from the business, your retirement needs and your personal estate. It answers questions like:

- How can you protect your business and benefits to help ensure continuity long term?



- When considering retirement, how can you gracefully exit the business and realize the maximum value for your hard work?
- How are your staff and customers protected if something happens to you unexpectedly, such as disability or incapacity?

Whether your plan involves a family heir, someone outside the family, an outright sale, or an expert to take over until your chosen heir is fully prepared, succession planning can begin with foundational steps before considering more advanced planning strategies, depending on your business’ needs.

### SUCCESSION STRATEGIES

The financial implications of business succession are complex, but you and your financial advisor can consider several options to help you refine your plan. Some key strategies are:

- **Gifting shares of the business** to family members or heirs over time, either outright or through a trust or family LLC structure. This can provide flexibility, allowing you to maintain oversight while the next generation prepares for ownership responsibilities.
- **Buy-sell agreements** that outline what happens to ownership if you retire, become

disabled or pass away. This helps prepare your business by providing clarity on how ownership will be transferred or sold, giving you and your team and family confidence that the business will continue smoothly.

- **Key person insurance** to help protect the business financially if you are no longer able to work, helping maintain operations and retain ownership of important assets like intellectual property.
- **Disability and incapacity planning**, including who will manage operations or make financial decisions if you’re unable to.

As your business and goals evolve, additional strategies may also become part of the conversation, such as:

**Intentionally defective grantor trust** – This is a sophisticated planning strategy to transfer assets from one generation to another, while potentially minimizing income, estate and gift tax liabilities. Families with closely held business interests often use this structure to freeze the current value of the assets while shifting future appreciation outside of the grantor’s estate.

**Grantor retained annuity trust** – This is another estate freeze technique that you can use with assets that you expect to appreciate

## Plan beyond the present (cont.)

significantly. This is one technique that can transfer wealth with little practical impact on the underlying transaction, yet with substantial wealth transfer results.

**Intra-family loan (including a self cancelling installment note)** – When an intra-family loan is used to finance the sale of a business interest, the purchasing family member agrees to make installment payments to the seller over a specified term. In some cases, the loan may be structured as a self cancelling installment note (SCIN), where the remaining balance is cancelled if the seller dies before the note is repaid.

Because of this mortality risk, the note includes a premium that is reflected in either the purchase price or interest rate. Selling a business interest to a family member in a lower tax bracket may reduce overall family tax liability while shifting future appreciation outside the seller's estate.

**Strategic sale of the business** – For some owners, selling the business may be the most effective succession strategy. Considerations include deciding whether to pursue a cash or all-stock sale, ensuring the full value of the business is realized, how any commitments you make as part of the sale will affect your

lifestyle, as well as how you'll invest and manage the sale proceeds. A professional advisor can help you explore avenues for your unique situation.

Depending on the approach, these strategies may involve gift and estate tax considerations, formal business valuations and ongoing administration costs.

While these conversations with family members and business associates can be difficult, they can also bring comfort in knowing everyone is on the same page about the future success of your business. ■

## Powering your business with smart cash planning

**Strike a balance with your business' cash management.**

Managing cash reserves isn't just about having money on hand. It's about aligning those balances with your business's needs. Think about what the right level of liquidity looks like for your business. For example, do you have enough available to handle unexpected expenses or take advantage of opportunities? Are you setting aside funds for planned investments or potential risks?



Cash can offer a buffer during periods of stress or opportunity. Many businesses aim to maintain reserves that could cover between two and six months of operating expenses, so something more strategic than petty cash for incidentals. Managing these reserves well can make a big difference for your business. It may also be wise to have a line of credit available – just in case.

### FINDING BALANCE

There's a balance between having too much cash and not enough. If your business is holding too much cash, you could be missing out on opportunities to invest it and potentially

generate additional earnings. Conversely, with an inadequate supply, you may have to borrow unexpectedly and pay interest or sell off assets.

### FORECASTING AS A FIRST STEP

Cash is the essential fuel for your business, and cash flow forecasting helps you manage it effectively, anticipating when money will be coming into your business and when it will need to go out. However, it takes more than studying your profit and loss statement to accurately measure your cash flow. Many factors must be assessed – including accounts receivable and payable, capital expenditures, inventory and

taxes – to provide a clearer picture of whether you'll have the liquidity you need to meet obligations, make investments or navigate periods of uncertainty.

There are several forecasting methods but, generally, you'll want to analyze your business' historical data to establish a baseline, while tracking incoming and outgoing cash daily to get a clear current picture. A short-term forecast, often covering the next 13 weeks, can be especially helpful for day-to-day cash management, while longer-term forecasts support strategic planning and growth decisions.

Regular forecasting can help you identify potential shortfalls before they become urgent, plan for large expenses such as taxes or equipment purchases, and account for any seasonality. It can also highlight opportunities to put excess cash to work more strategically rather than letting it sit idle.

**PUTTING CASH TO WORK**

You might want to consider a securities based line of credit (SBL), which can be a way of expecting the unexpected by allowing you quick access to funds when unforeseen needs or opportunities arise. An SBL allows you

to use the borrowing power of one or more personal or business brokerage accounts to establish a loan. For business owners, this can offer access to liquidity without having to sell investments, helping you avoid disruption to your long-term investment strategy. Approval is typically done in just days, with streamlined underwriting, and there are no upfront, maintenance or closing costs. There are flexible repayment options, as well.

Depending on your liquidity needs, there are additional options that may play different roles. CDs can help businesses earn higher yields on a portion of reserves. Money market

mutual funds on the other hand may offer easy access to your cash balance, making it easier to access funds or make adjustments when rates change.

Thoughtful cash management starts with understanding where your cash stands today and where it's likely headed. Accounting for cash on hand, regularly forecasting cash flow and working with your financial advisor to balance liquidity and access to credit can help you find the right approach so your business is prepared to meet day-to-day needs, seize opportunities and navigate whatever comes next with confidence. ■

## Work smarter, not longer

### Practical ways to maximize your time

Owning a small business means juggling and demands on your time can feel endless. These tips can help you stay focused and efficient, boosting productivity without burning out.

**1 SCHEDULE MORE THAN MEETINGS**  
Block time on your calendar for real work. Consider how you work best. Morning person? Reserve mornings for deep focus, afternoons for meetings

**2 TRY SOME NEW TECH**  
The right technology, like project management or productivity tools, can help streamline workflow, analyze data, automate tasks and collaborate with your team – all productivity boosters.

**3 NURTURE YOUR TEAM**  
Encouraging communication, holding regular check-ins and offering meaningful incentives can boost morale and keep things running smoothly.

**4 TAKE CARE OF YOURSELF**  
Block out time for breaks, and prioritize eating healthy, staying hydrated and getting enough sleep to keep your energy and your productivity up. ■

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