The Success Inventory®

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Gaining clarity, trust and competence in yourself,your plans and your advisers.

Most business owners do a great job of understanding how to run their businesses. They start with an idea and nurture their business. With hard work, the business grows and prospers. Along the way, they have an opportunity to adopt tactics and strategies that help them move along the path to success. However, choosing the proper ideas is always a challenge. Various advisors have made assumptions and present ideas to do what they think are in the business owner's best interest. However, most of the time, the ideas are presented from the viewpoint of the advisor and not from the value system and viewpoint of the business owner.

I find that many times business owners will not take action for three reasons. The first being they are not clear about what they want out of their life and their business. The second being they have a lack of trust that ideas being presented are in their best interest or a lack of trust that they truly know what they want out of life. The third reason is a lack of competence on the part of advisors and themselves in knowing which tactics can move them along the path in a method that will support their long-term goals in a manner that helps them get what they want out of life.

I have developed The Success Inventory ™ as a method to help owners of closely held businesses first understand, their core competencies, second develop a values based family financial philosophy and finally work with the appropriate tactics in the wealth optimization process. This article is designed to bring you an overview of the process and why I believe it's crucial to first know what you're good at, second understand what you want out of life and then bring the appropriate tactics to bear in helping you move forward.
Core Competency Analysis

I suggest that you first have a clear understanding of what your personal and team core competencies are. After you understand what you're good at, then you want to figure out how much time you spend working in these core competency areas.

We find that with the typical business owner they will do tasks that add energy to their lives and do tasks that take energy away from their lives. Our analysis has shown that understanding your own personal style will help you develop a personal understanding for yourself and those around you who are important in your success.

Enter the Kolbe Analysis™

We use an instrument called the Kolbe Profile™ to help us in this endeavor. Some people prefer spending their time researching how to do the right thing at the right time. Others don't prefer research but want to use their imagination to invent new processes and ideas along the way. Often you won't have the ability to do both well. However, for an organization to be balanced and stable, you will need to have both in your company. In addition, a person who is strong in one area will find someone who is strong in another area difficult to work with. However, having an understanding that both are important for the success of the business is important in the long-term success of your company.

We also find that using the Kolbe analysis helps us develop energy-producing activities versus energy draining activities. For example, if you like to think outside the box, but are forced to do detail work in your company, you will often feel drained at the end of the day. However, if you are able to spend your day designing new products and ideas, your energy level will often be limitless. It's important to understand what activities add energy to your life and which activities drain energy from your life. You will find the energy-producing activities will often be those that also bring the highest economic return to you and your company.

You also will find that using this instrument can help with understanding how information should be presented to those you work with. If you have a co-worker that loves to do research and is a fact finder sort of personality, you will want to provide all the detail imaginable. However, if the person instead is very strong in the area of making order out of chaos you will want to give them a detailed road map of how the program will be accomplished.

So, the first step along the way to understanding your core competency is, understanding what adds energy and what takes energy away from your personal life.
Building a complementary team

The second step along the way is to build a complementary team around you. You will not be good at everything. Most people in business learn that at an early age and they have figured out that they need to have people around them who can add value in areas they can't. So, you will want to figure out what skills you need in your company and then find people to fill those skills.

When you think about your company ask yourself the following question: If I had the perfect staff working with me, what skills would I want them to have. You will want to write down these skills in a manner that allows you to evaluate your team and make sure you have the correct people on this team.

Often a business owner won't know what the specific skills are and this is a good time to think about finding someone to help who understands organizational development and dynamics. In most companies a typical entrepreneur might be great at coming up with ideas, but terrible at actually getting them implemented in an orderly basis. For a business to run well, there has to be order and predictability. So, the entrepreneur will need at some point to find someone who can bring order to the company.

The problem with this program is that a person who can bring order to a company is at natural odds with the entrepreneur. This adds tension to the organization that needs to be managed. Both parties need to respect the abilities that the other does not have. But, if they are able to develop these skills then the company will prosper because imagination and order will be functioning in the same organization.

Spending time in the green zone

Finally, we know what we are good at and have looked at our team to see what the skill set we have is. We also have now built our complementary teams and have the full complement of people who are able to spend time in core competency areas. The next challenge we face is making sure that we spend our time actually doing positive things for our organizations.

There are four areas in which you can spend your time. The four areas are:

Blue Zone: This is where you are doing things that are not important and not urgent. I call this the mental vacation time zone. It also is the area where absolutely nothing of value will happen for your life or organization.

Black Zone: This is the part of your time where you are doing things that are urgent, but not important. For the typical small business owner this is when one of your managers comes in your office and drops a project that they should be doing on your lap and you accept it because it's easier or faster for you to do the project yourself. However, in the long run it becomes a huge time waster because the project is something you are not very good at doing and it's the reason you hired the person in the first place. It's crucial that you don't accept these projects and send them back where they belong, with the manager who brought it in.

Red Zone: Most small business owners will spend the vast majority of their time here. This is when you are doing activities that are important and urgent. If they don't get done right now, your company could have some major problems. The problem with these activities is that you are working in a reactive manner. I find that when we spend our time in a reactive mode, we are working with haste and will often make many mistakes. These mistakes can be very costly.

Green Zone: Finally we get to the zone where the money is made and joy is found. This is when you are doing activities that are important, but not urgent. You will often find that when working in the green zone, time flies by and your work is effortless. It also is where you are doing the highest value activities for moving your company and life towards your personal goals.

The obvious goal in your business is to not only have you spend your time in the Green Zone, but also have your staff there also. This means you will need to not only monitor how you and your staff spend your time, but have the appropriate team put together with complementary skills that take advantage of everyone's unique abilities at work.

The Family Financial Philosophy

There are two keys that keep people from taking the appropriate steps in the planning process. The first is a clear understanding of what your personal values are. Once we understand your personal values, we can then think about using appropriate tactics that will support the values of not only you, but your family as well. The second block to taking appropriate action is, knowing where you stand on the financial independence scale. We often don't know whether we should concentrate on building a strong economic base or we should concentrate on passing our legacy on. Until we have a clear understanding of where we are on the financial independence scale, we are likely to delay doing strategic work that is important for our long-term family and personal goals.

The second step in The Success Inventory™ is to have a clearly stated family financial philosophy as well as having a clear understanding of where you are along the path of financial independence.
Defining Financial Independence

The first step in assembling a Family Financial Philosophy is know where you stand on the road to financial independence. Every Client I've ever worked with has first been concerned about their own financial situation, then what they want to do for their family and finally what they want to do for their community. So, the first step along the way is to develop a definition of what financial independence is and then find out where you are on the continuum.

The problem with this definition is that most likely your largest asset is going to be your business. Figuring out what the value of this business is often a tricky proposition. In my opinion, the true value of your business is what someone else is willing to pay you minus the debt you owe and after all taxes. As we move down the road of how to leave your business, we will develop strategies that support your long-term goals. Also, if you decide to have your management team or family take over the business, you will need to find ways of supporting your life style in other ways besides getting full value for your business.

With very few exceptions, I have not seen businesses transferred to managers or family for full value of the business. However, in the process of developing a Family Financial Philosophy you will come to grips with how you want to leave your business. We can then design methods that will have a higher likelihood of having you achieve your goals.

The method we use for defining financial independence is as follows:

First, have a clear understanding of how much money you want to spend on normal life style issues. Have a clear understanding for what sort of assets you would like to own today and in the future. Have an understanding of what sort of emergency funds, business opportunity funds, vacations funds, etc. that you want to have today and in the future.

Second, put together an accurate list of assets and income streams that you have today and expect to have over the next several years.

Third, take all of the income stream and assets and see if they provide enough income to provide for your wants, today and tomorrow.

We then use a formula for looking at after tax returns and after tax values of the assets. This evaluation should be completed by a trained financial planner. My suggestion is that you use either a Certified Financial Planner or an accountant who has had advanced training in personal planning for owners of closely held businesses.

If the number is positive, you are financially independent, if not, then you should only concentrate on this issue in your planning. In our practice, we not only want the number to be positive, but we want it to be positive by 20% or more so we can be sure that we have provided for a financial emergency or a downturn in the value of the assets we are using for this analysis. Now we know where we are on the financial independence scale. This allows us to move on to the next part of assembling a Family Financial Philosophy, the values portion of the analysis.

Your values should control your financial and business decisions

An integral part of forming a Family Financial Philosophy is answering the following questions:

- Do I have enough to live my life in a style that I want?
- Am I able to leave my family what I want, in a manner that I want at the lowest possible cost?
- Do I know how I want to leave my business and what I want to happen to the organization that I've nurtured for these many years?
- Have I planned to control my "social capital" in a manner that is consistent with my wishes and values?

Above we have given you an outline to figure out the answer to the first question. The other questions also need to be considered. In the process of considering the other three issues, you will develop a values based statement that will allow you, your loved ones and advisors to help you put together a written statement that can be shared with those who will help you plan your financial and philosophical life together. Forming the Family Financial Philosophy will allow you to gain clarity about what you would like to see happen in your life under your perfect scenario. You also can start to understand some of the issues that you could face as your life progresses through its logical stages.

The process of defining financial independence also will help you define what you want out of life as far as life style goes. Questions you should consider are:

- How much do I want to work?
- How much time do I want to take off every year?
- What should my role be in my business, my family and my community?
- What would my perfect day look like?
- How do I want to influence those around me and what actions do I need to take for this to happen?

In other words, we not only want to define what is important economically, but also how we want to spend our time and how we want to influence the world around us. The FFP is a perfect way for us to define and communicate these wishes.

Family Issues

The second part of the Family Financial Philosophy is how we want our family treated on a financial, moral and philosophical manner. The fact is that if you are successful running your business, you will amass a large amount of capital. Most people in this country that do well financially, do so by slowly saving and living beneath the means for many years. When their business starts to do well enough for them to dramatically increase their standard of living they don't choose to do so. As a result, the amount of money and assets that are accumulated can be quite large.

So, the question must be answered as to how much is appropriate to pass on to our Children? A second question is also in what manner our assets should be passed on. Taking the time to answer these questions allows you to not only stay in control of what happens to the wealth you create, but also allows you to influence future generations in the proper stewardship of those assets.

Many of the Clients I work with want to support their children in being successful in life, but don't want to have them become economically dependent on them. They also are not interested in providing an ongoing income stream that allows their offspring to not produce in the way their parents did in building and growing their business. Clearly setting down your goals for what you want for your children allows you and your advisors to implement strategies that will help you move towards your wishes as it relates to your family.

Community Issues

If you are successful you have become a philanthropist. This is where the concept of social capital becomes very important. Again, the FFP allows you define how you want your social capital handled and to learn some of the tactics that can help you control more of the assets you have worked hard to accumulate.

There are two types of social capital. First, you have to understand that under both forms, you will no longer own the asset, but under one of them you can still control the asset. We find that most people who develop successful closely held businesses are really much more interested in controlling their assets than in owning them. This is especially true after our Clients understand the power of control versus ownership. The first type of social capital is that which you don't own or control. This is called taxes. Almost every person who develops a business hates taxes. However, when pushed, they will admit that it's important for our Government to provide a certain set of services for the public they serve. However, there is almost universal agreement that the Government does not do a very good job in either controlling the cost or providing services.

So, we in the United States have developed a very large secondary form of social capital that the government endorses and allows very generous tax breaks if we decide to participate. This second type of social capital is called charity. Again, most of the closely held business owners we work with are not wild about charity. However, once they understand their financial position and realize there is excess capital and a great deal of that excess capital will go to the Government which they can't control or own, they will become interested in finding out how charity can help them move forward in their community goals.

It's important to understand that many of the most powerful planning tools that are available today come in the form of charitable planning techniques. Understanding how these goals can support you in variety of ways is very important.

Tying it all together

Now that you have taken the time to understand where you are on the road to financial independence, developed definitions of how you want to spend your time, understand what's appropriate for your family and community you are ready to have a written statement that ties all of this information together. The written statement is called The Family Financial Philosophy. This is what you will use to communicate what you want to have happen in your life to yourself, your family, your advisors and other stakeholders in your life.

You will also decide to share some of this information with all of your stakeholders and some you will only share with a very small group. However, the most important part of all of this information is that you now have a clear understanding of what you want to have happen in your life. You also know where you are today and can start measuring your progress towards your goals.

When you look at Wealth Optimization Strategies that are presented you will be able to evaluate them on whether they move you towards your long-term goals or they don't help you effectively and efficiently move you towards your goals. So, you now know how effectively you spend your time and where you want to spend your time. We are now ready to move on to the final part of the Success Inventory™, The Wealth Optimization Process.

The Wealth Optimization Process

Most financial planning that is done is tactically based. This is because this is where the value is perceived by most in the planning community. As you have seen above, I believe that to gain true clarity and trust about what you want in your life, you must first participate in values based activities that are designed to help you gain clarity around your long-term goals.

However, once you have gained that clarity it's now important to start working on tactical decisions that can be used to help move you towards your goals. The Wealth Optimization Process allows you to choose the appropriate tactic and the correct time.

This is where competence in your advisors and yourself is important. There are literally hundreds of tactics you can adopt to help you move towards your goals. You will most likely choose to have people help you with this quest. So, it's important that you choose an advisor who not only understands your values and is someone you trust, but they also must either have personal knowledge of state of the art planning tools or have access to people who do.

Below I've outlined the main areas that I think every business owner needs to look at once they've crafted their Family Financial Philosophy as well as gained an understanding of their core competencies and unique abilities.

You will leave your business someday.

The first thing you need to admit is that you will one day leave your business. In our analysis of many different types of organizations, we have only found four ways you can leave your business. The four ways are selling to an outsider, selling to your management team, passing the business to your family or liquidating the business. It is possible to use a combination of these four ways to leave your business, but we have not encountered any other ways for you to end your business career.

I think one of the most important questions you need to answer is, if I had my druthers, how would I want to leave my business and what would be the best way for me to go about doing this? You have spent many years building a successful firm. Wouldn't it make sense to spend a few hours thinking about how to best get out of the business for you and your family?

At publicly traded companies, succession is one of the most important jobs of the CEO. Most closely held businesses never make it past the first generation because succession is not dealt with in a logical and meaningful way until the owner wants to throw in the towel. The proper time to deal with this question is at least five years before you want to move on.

Part of your Family Financial Philosophy will deal with this question. Much of the decision of how you leave your business will depend on how important the business is for your financial independence. Our goal with our Clients is to have the business not be very important. This will allow you more choices and flexibility in choosing how you want to leave your business.

The proper advisor or team of advisors will change with what decision you make. If you want to sell to an outsider, then a merger and acquisition expert is appropriate. If you want to pass the business to managers or your family, then a family business expert is appropriate. Liquidation might need a workout specialist so you can walk away with at least some of your assets. However, the beginning of this program should start with your board of advisors. These are the outside business advisors you use to give you unbiased advice on what moves make the most sense for your business.

Financial Planning for the Business Owner

Most successful businesses work from a budget covering their income and expenses. From this information future plans are made for the operation of the business, capital expenditures and values the business generates. However, when it comes to personal planning, most business owners spend virtually no time in this area.

Personal financial planning for the business takes the business values, salaries and dividends for the family and produces a long-term personal financial plan. This plan must have an accurate listing of incomes and expenses. From this information, capital investment plans can be made for homes, vacation homes and major expenditures. You now are also in a position to factor the future value of your business and start looking at some preliminary variations of different tax scenarios you could face when it comes time to move on.

I believe a personal financial plan is important for everyone. However, financial planning for the business owner is not an option, it's a necessity. Many business owners we work with think their business will provide plenty of capital for retirement. However, after looking at the tax burden that will be extracted and the lack of diversification in their investment portfolio, we often find the owner of a successful business can't afford to retire and continue their present life style.

In your FFP you have developed a rough value of your business and figured what the tax burden could likely be. However, this can change over time and it's important that once you do your basic financial plan, you update the plan at least every two to three years to make sure you are still on track with your long-term goals. As you update your personal financial plan, you will also update your FFP to make sure the values and goals you originally developed are still valid.

The appropriate person to work with you on your financial plan is a planner who specializes in working with closely held businesses. This can be your accountant if they have a designation in financial planning from the AICPA or a Certified Financial Planner or a Chartered Financial Consultant. All three of these designations signify the holders of these designations have done some advanced study in financial planning. As with all advisors, the personal interview is very important to make sure you can get along with this planner as well as making sure they have the requisite experience in working with business owners.
Cash Flow Planning for Optimum Performance

Most business owners know how to read a profit and loss statement. Almost as many know how to read and understand their balance sheet. However, I find that very few understand their cash flow statement. Since all businesses run on cash, it's imperative that you understand this very important portion of your financial statement.

To make informed decisions about capital expansion or moving into new business opportunities, you must know what affect those decisions will have on your cash flow. Small businesses do not have access to public capital markets. As a result expansion money must come either from retained earnings in the business or some form of outside borrowing.

I believe that it's absolutely crucial to have accurate monthly figures. Included in these numbers must be an accurate cash flow statement. If you start having decreased or negative cash flow show up in your operation, you must know about this immediately. In addition, you must know the reasons your cash flow has turned negative. We have all heard about businesses that went out of business while showing a profit. If these businesses had understood their cash flow statements, this most likely would not have happened. As part of your cash flow review you will want to do an asset and capital utilization review. This is where you look at how you are spending your money and deciding whether you are getting the return that is appropriate for the risk and effort you are putting in.

In addition, you will want to develop a company budgeting process that takes into account what we call four-tier budgeting. This is where you plan for where your business is going to come from, review what staff you need to do the business, decide how much capital you will need to deliver on your plan and finally pull it all together with an operating budget. Following this order can improve the efficiency of your operation by a dramatic amount.

Your accountant is probably the best person to help you learn how your cash flow statement works. At your annual review or audit, make sure your accountant explains where the numbers come from in your cash flow statement. In addition, have them explain the relationship between the profit and loss statement and the balance sheet to the cash flow statement.

Understanding your banker

As mentioned above, most small businesses will at some point in their life go to a bank or other lending institution to borrow money for expansion of their operation. Understanding what your bank wants and how to properly approach them can mean the difference between getting your money for expansion and having to scrape through finding cash from other sources.

First, understand a bank is a supplier. They are anxious to make loans when they are sure they will be repaid for giving you money for expansion or operational purposes. However, having been burned on bad loans many times, most bankers are conservative in their approach to lending.

Next, understand what you want to use the borrowed money for. Many times we will suggest that companies borrow money instead of using internal cash. Remember, that in an economic downturn, cash is king. If you have dry powder available, the amount of money that you pay in interest is irrelevant when it comes to capitalizing on opportunities or protecting your business.

Having accurate financial statements that you understand is a good start for gathering needed cash for your operations. You must understand your statement and be able to explain in a forthright manner how your operation works and how your financials stand up to industry norms and standards.

Always tell your banker the truth. If you see a period of bad times ahead, make sure your banker knows about it. Also, have your plans ready for what you are going to do about correcting the situation. If your banker loses confidence in you, it's time to move to a new bank. If you see that your banker is not as friendly as they once were and your financials are not as good as they used to be, it's time to line up a new bank quickly.

Working with your accountant in many instances will prepare you properly for working with your bank. However, if you have some difficult circumstances, you may want to hire a mergers and acquisition expert who specializes in raising money for privately held organizations. These experts are expensive, but in extreme circumstances, they may be the best hope you have.

Managing taxes and corporate structures

Choosing whether you will be a corporation, LLC, partnership or sole proprietor is one of the most important long-term decisions you will make. In addition, if you choose a corporate structure, you must choose between a C Corporation and S Corporation. These decisions are crucial when it comes time to leave your business.
For example, if you choose a C Corporation for your structure, you will pay a little less in taxes today. But, if in the future you plan to sell your company to an outsider, you will pay income taxes within the corporation and then capital gains when you liquidate your company. This can mean the difference between a 20% tax rate and over a 50% tax rate when you sell your company.

Besides the obvious tax implications of choosing a business form, there are also the values based decisions. This comes from how you want to leave your business. If you want to pass your business to your managers or family, then certain types of business forms are most advantageous. If, however, you want to sell the business to an outsider, then other forms may work best.

I believe that in most instances the appropriate corporate organization for small business is either the LLC that chooses taxation as a partnership or an S Corporation. The person who will set up your corporation is your attorney. However, this is usually done in cooperation with your accountant. If your professionals setting up your corporation suggest structures other than an S Corporation or LLC, you should ask them some hard questions on why they are suggesting this corporate structure. Specifically, have them put together illustrations of the lifetime value of each corporate structure you can choose. From this illustration, you will be making a decision that is appropriate about which corporate structure works best for you in the long term as well as the short term.

Marketing for the future

In This section may seem out of place in the list of twelve key areas for every business owner. However, I believe the two areas that all CEO's must have a thorough understanding of are marketing and finance. Marketing is the strategy in how you present and sell your company and products to the stakeholders in your community.

Almost every business we work with has not done a good job of defining who their best Customer is. Since they don't know who their best Customer is, they also don't know how to attract more of those good Customers. In fact, many businesses we look at spend an inordinate amount of time holding the hands of Customers they should give to their competitors.

Understand that marketing is the strategy for getting new Customers and sales is the activity of getting new Customers. The owner of the business needs to be intimately involved with the strategy of how new Customers are attracted, but may not be involved in the actual sales process. Companies that know the difference between marketing and sales often are much more successful on all levels than companies that don't.

I believe all marketing programs must be targeted at the people who can use your products and services. This means having some method of knowing whether your programs are having the desired effect and you are attracting the type of Customer you want for your company. When you run an ad, you must have some method to see how many people respond. If you work from referrals, have a system in place to track the referrals and see what your target market specifically looks like and which type of referral gives you the best results.

It's the rare business owner that does not need extra help in developing and implementing an appropriate marketing structure. I suggest using a specialist in direct response marketing. These people will often understand marketing through referrals, direct mail, host-beneficiary relationships, unique selling propositions and the residual value of a Customer. When looking for a consultant or educational program, make sure at a minimum that these educators understand these areas.

Motivating and keeping Key Employees

During our core competency analysis, we discovered who in our organization is important to form the complementary team that will allow our company to have great success. When we form a great team we want to make sure we encourage those folks in many ways to do a great job, both for their own personal satisfaction as well as for the long-term well being of our companies.

Since we know that our ultimate success will depend on the quality of people that we attract to our company, it's important for us to make sure we treat the important people well and figure out whom the key players in our company are. In most companies we work with, we find that about 10% of the employees are truly important for the long-term success. These are the people I suggest most of your effort is spent on motivating and bringing along. If your core is committed, then you will find others naturally follow along.

Also, at some point in your life you will leave your business. It's at this time that the key people move from important to crucial in your economic health. The new owners of the company, whether it's your family, managers or outside people will not want you, but they will want and need your key people. Motivating your key people is one of the primary responsibilities you not only face today, but will also face tomorrow.

One of the most important things you can do to motivate these key people is share information with them. One of the main complaints I hear from employees on a regular basis is that they love where they work, they just have no idea how well the company is doing and what the actual results of their efforts are. If you were to play football and never know the score, how long would you want to continue to play? This is often what we do with our employees. We ask them to play the game, but never let them know what the score is.

With advances in computer technology, it's possible to create profit and loss statements on every area of your business. Letting the people who are key to your business know where they stand and compensating them for the performance of their area is paying for performance and not paying for existence.

Having people paid for what they produce will put them on the same side of the table as you. If their compensation is tied to how well they and the company do, then you both have the same goals. However, if you pay people to just how up every day and not on what they produce, their goals could and often are different than what your personal and corporate goals are.

To get help in this area, you may want to consult with a human resources expert. Not one that will help you put together an employee manual, but one who specializes in compensation and communication issues. When interviewing for this position, make sure your expert has set up compensation plans for performance and has positive results in this area.

Retirement Plans and how to use them as compensation

One of the great options you have as a business owner is to work with your qualified retirement plan to provide maximum retirement savings opportunities to owners and key employees of the company. We often suggest using a profit sharing plan that is age weighted and integrated with social security.

Also, as a result of salary breakdowns in many companies, you are able to put $40,000 per year in the pockets of owners and have over 80% of the rest of the contribution go to key employees in the company. This means that in many plans, you are able to have over 90% of the total contribution go to the important people in your company. The beauty with this plan is that in good years the plan is fully funded, but when your company hits a rough spot the plan will be partially or not funded at all. In other words, you are once again, providing compensation for your key people for performance and not for existence.

Using a qualified plan in the most tax efficient way possible also provides a secondary benefit to owners. It forces them to start diversifying their investment in a meaningful way. Many business owners can't leave their business in style because of the tax bite Uncle Sam provides at exit time. By saving the maximum amount every year, the owner is diversifying their investment and pre-funding the sale of their business. Drawing money on a regular basis from your company in good years will help you have the money you need in your later years.

This plan in most instances will be combined with your present 401k plan. Many of the same laws apply to profit sharing plans, so it's important that you work with a qualified pension administrator who specializes in integrated profit sharing plans. You might also find that your investment advisor or financial planner can help with the design portion of the plan. To make this plan work in all seasons, you must find an advisor who understands the ebb and flow of normal business. One who knows that in good years you hit the plan hard, and in bad, you may not make any contributions to your plan.

Planning for the unforeseen for your family

Most of the business owners I work with are convinced nothing will ever happen to them that could negatively impact their ability to work. Unfortunately, this is not true. For example, if you are 30 years old, there is a one in three chance that you will have a disability that lasts for ninety days or more by the time you are 65 years old.

When I ask entrepreneurs and owners of closely held businesses what will happen if they can't work for an extended period of time, they usually say they have managers who can run the business for the time the business owner can't work. In my experience this is totally incorrect. The reason most small businesses work at all is because of the drive and work that the owner puts in the business.

In addition, the small business owner and their spouse usually have personally guaranteed their notes with lending institutions. If they can't work for an extended period of time, the bank will then go after the personally guaranteed collateral that they have put up as an alternate guarantee for the loan.

Even if the owners business does manage to limp through the period of disability, what sort of shape will his business be in and more importantly, what kind of energy can the owner bring to bear on their business? So, I find it very important for the owner to have a disaster in plan for what would happen if an extended disability happened.

Although we don't like to plan for our death, what would the effect be on our family if we were to prematurely die? Again, in many small businesses the owner and their spouse will have personally guaranteed their loans. If the founder of the business is not able to work, and have the business work well enough to pay off the debts, then the bank will move to seize their collateral for their loans.

I believe that the business owner almost more than anyone else must use a specialist to not only plan for the worst for the family, but help structure legal instruments to creditor proof your assets. The appropriate people to help in this arena are a financial planner, an attorney and many times your accountant. When it comes to insurance to fund these plans, it may be appropriate to use an insurance specialist who holds a Chartered Life Underwriter designation or a Certified Financial Planner who specializes in working with closely held businesses.

Disaster Planning for the Business

Having a written disaster plan for your business is crucial. Bad things do happen to good people and there is a good chance that at some point, you or one of your employees will do something that will negatively impact someone you do business with or serve in your communities. Knowing what you will do if and when that disaster happens can mean the difference between your company thriving and your company going out of business.

I suggest sitting down with your key people in the company and writing down the bad things that could obviously happen with your company. It then would make sense to at least write an outline of how you would handle each of these situations. In your plan make sure you write how you will handle the person injured, the employee who caused the injury, the media and the legal people who will want compensation for those who were injured.

When bad things happen to good businesses, it's crucial that information is passed in an expeditious manner. You will want to communicate with your Customers about the problem that has happened and what you intend to do to solve the problem.

The key person from the outside to help in this area is your liability insurance agent. He or she will be able to help you draft the appropriate plans for your company and in many cases, will be able to bring people from your insurance carrier in to help you make the plans that hopefully you will never need.
Estate Planning for the Business Owner

No one likes to think about dying. However, estate planning for the business owner again takes on an importance that most people in the accumulation stage of their life (30-60 years old) never have to deal with. In your FFP you have developed statements about what you want to see happen as it relates to your family and community. The estate planning process is where you will put many of these plans in place.

If you have done a good job of building a valuable business, you need to do a good job of protecting that asset from Uncle Sam. As the Government is your silent partner in your business in life, it is even more of a silent partner in death. The estate tax starts at 35% and rapidly moves to 55% of all your assets. In addition, if there is an estate tax due, in most cases it is due in cash and within nine months of your death. The problem with this situation is that much of the time; the business owner has not structured their estate to take advantage of the tax exclusions that are available. In addition, their family has no clue what to do with these assets if the owner is not alive to give them directions in where to go. Finally, if the owner is older and wants to pass the business to their children, without proper planning it may not be economically viable to do so.

Estate planning deals with death. Most business owners we work with both hate the idea that they will eventually die and that they will no longer be able to control their assets. However, having a clear understanding of your options can often mean that you will protect yourself and your family in both life and death. Also, now that you have clarity about what you want in your life, you and your advisors can design and use tactics that can very effectively help you move towards your goals.

Many of these tactics involved the alphabet soup of estate planning techniques. Although they can be very complicated, your clarity about what you want will help you when it comes to understanding your options. Your advisors can tell you specifically how the tactics they bring to the table will move you towards your goals.

However, it's important for you to understand that this is your plan and you are the person in control. You need to find people who you both trust and have a high level of competence. The value you can gain from this part of your strategic planning can have either a huge payoff or a huge deficit. The actual way this will turn out will often depend on the competence of the planners you bring to the table.

Many times the estate planning team is a multi-disciplined team that will consist of an estate- planning attorney, your accountant, specialists in different tactical areas, your financial advisor and investment advisor. It's important to have the leader of this team both, be a person you trust and one who can work with other advisors in a positive manner.

Proper Use of Advisors

This article has suggested which professionals can help you achieve the goals listed above. However, having professionals' just muck around your business can cause more harm than good. I strongly suggest that when you work with a professional you follow the following guidelines.

Make sure the professional you engage has been trained in the area you are working with. Most professions have designations for specialties in each of the areas we suggested above.

Limit the scope of what your professional will do. Having a consultant work in a generalist manner will often produce poor results. Ask your consultant to explain similar situations they have worked with and the results they have achieved.
Have a follow up procedure established. Consultants are great at telling you what you need to do to fix a particular problem or achieve a specific result. For the work that you do to have an enduring result, there must be a follow up procedure to make sure you stay on track.

Understand your professional will get paid. When using lawyers or accountants you expect to pay an hourly fee. You may also decide this is the appropriate way to get advice from insurance agents, financial planners or other professionals. If they can be compensated for products, that's fine. However, make it clear from the start that you expect them to get paid and are more interested in their advice than their products.

Using a professional is like hiring a key employee. Spend some time with them and make sure you are comfortable with them as people. If you have trusted advisors today, you may want them to interview the person you're considering and get their opinion about adding them to your team.

Conclusion

The Success Inventory™ is a method for helping you to gain clarity, trust and competence in important strategic areas of your business and personal life. It's not the only way to get to your end goal, but can help you get there in an efficient and effective manner.

When I first propose going through this process with many business owners, they tell me they don't want to spend the time necessary. My response always is that if they spend the time today, they will be providing hundred of hours of time in the future. In addition, by having clarity about the key areas of their life, they will likely not put tactics in place that they will regret in later years.

I have outlined a thought process and procedure to help you get more out of your business and personal life. Although not perfect, it will focus you on the important areas of your life and help you examine your business to make sure you are getting the value you deserve.

I suggest that you go through the areas of the Success Inventory™ and give yourself a grade for how you are doing in each area. In the areas that are weak, consider working with a professional that is listed to help you gain clarity and understanding on how you can improve that area. However, I strongly suggest that you first develop a clear understanding of your values and core competencies as the very first step you take.

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