

# 5 Retirement Strategies for Small-Business Owners

## AND HOW TO ADDRESS THEM







**As a business owner, you face unique challenges when building a financial future. This ebook provides insights into potential pitfalls small business owners may overlook and steps to take when building toward the retirement you desire.**

Small-business owners are an essential component of America's economy. In the United States, 99.7% of all companies are comprised of small businesses with 500 or fewer employees.<sup>1</sup> However, small business owners often spend an exorbitant amount of time and energy building their companies— which can make focusing on their personal financial future challenging

## **STRATEGY 1**    **The Retirement Roadmap**

Building, running and growing a company can be tough. Often, amid fulfilling your professional priorities, your personal financial life is placed on the back burner. Furthermore, many start retirement plans when the business is first started and don't often review whether the approach still works for them and their business. However, simply having a business doesn't automatically translate into having a retirement strategy in place. Without a roadmap—one that goes beyond the hope of simply selling the business or passing it to family—you could end up pushing back your ability to retire. But, as we all know, delaying retirement isn't always an option, and life often brings surprises. For example, certain health challenges may cause you to retire early. To help ensure that you can retire on your terms, you need to be proactive and address the following items as soon as possible.

### **WHAT TO DO NOW**

- **Define your ideal retirement and ensure you have a documented, formal financial plan to help get you there.**  
Clarify when you want to retire and the lifestyle you hope to enjoy.
- **Build strategies to pursue your retirement goals.** Determine the actions you must take to fill the gaps between your current assets and the income you will need to support your desired retirement lifestyle.
- **Hold yourself accountable.** Don't let the busy life of business ownership keep you from staying on track toward the retirement you desire.





## STRATEGY 2

## Your Exit

For many business owners, selling their companies at top dollar or passing them down to future generations is the goal. However, studies have shown that even though 50% of business owners plan to leave their businesses in the next decade, only 34% have a business succession plan in place.<sup>2</sup> No matter how much you love your business, a clear exit strategy is necessary to help foster your company's longevity and preserve your financial health.

### WHAT TO DO NOW

- **Define your ideal exit strategy.** Do you want to sell your business? Pass it to the next generation? Find an outside successor?
- **Determine the real value of your business.** Hire a qualified professional to provide a clear valuation of your company as it stands today. Depending on how far you are from retirement or exiting, you might need to revisit this valuation in the future.
- **Create a strategy—and stick to it.** Your exit strategy might require you to hire new people, adjust your services or implement some other changes.

## STRATEGY 3

### Business Reinvestment and Retirement Savings

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Trying to build retirement savings while you grow your business can be challenging. With only so many dollars to go around, you might be tempted to reinvest in your company instead. However, even if you are ready to sell your business at retirement, you need savings that are completely separate from your business.

The reality is that relying solely on the value of your business to carry you into retirement can be risky and easily backfire. Not only can industries change and companies falter, but the market for small businesses can also be highly competitive depending on multiple economic factors.

Would you and your family be able to enjoy a comfortable retirement without your current income or profits from selling your business? If the answer is no, then it is past time to start building your savings.

#### WHAT TO DO NOW

- **Balance your personal and professional finances.** When deciding how to invest your available assets or what salary to take, make sure to address both sides of your financial life.
- **Ask your financial advisor about available retirement-savings tools.** Rules regarding retirement plans change over time, so it is important to evaluate your retirement strategy periodically.
- **Review your budget and create a savings approach.** Identify ways you may be able to trim your expenses and establish a habit of regularly contributing to your personal retirement savings.

## STRATEGY 4

### Get Sufficient Life Insurance Coverage

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Most people are familiar with life insurance, but the role this product plays for small business owners can be more complex than for the typical individual. Of course, sufficient life insurance can help protect your family's financial security if you were to pass away. However, a business owner could have extra liabilities, such as business collateral. If you take out loans to support your business by using personal assets as collateral and you pass away, your family members may be on the hook for that debt, which could jeopardize their financial standing. However, life insurance provides an added layer of protection for your loved ones.\*

Keep in mind that this report is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your legal or tax professional before considering using personal assets as collateral.

#### WHAT TO DO NOW

- **Analyze your life insurance coverage.** Do you have the right tools? Do you have unrecognized gaps?
- **Address your life insurance needs.** Calculate your total debts and expenses to determine the amount your family would need if you were to pass away prematurely.
- **Uncover life insurance opportunities.** Work with a professional to determine how life insurance might be able to help support both your business needs and retirement goals.

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\* Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.





## STRATEGY 5 Outside Support

Running a successful small business requires a number of skills, from delivering your product or service to managing employees and enabling growth. Although there's no shame in building a team to support your success, many business owners seem to forget that they don't have to do it alone.

From accountants and attorneys to financial advisors and insurance experts, there are professionals who specialize in helping small business owners navigate the complexities of balancing your ability to run a successful business while also planning for your successful retirement.

In the past two decades, federal agencies have published more than 15,000 rules that may negatively impact small businesses. Hiring outside help gives you access to experienced professionals who can apply their knowledge to your specific needs and manage regulatory obstacles efficiently.<sup>3</sup>

### WHAT TO DO NOW

- **Determine the types of professional support you need.** Depending on your circumstances, you may want to consider hiring a tax professional, attorney or financial professional.
- **Connect your professionals.** Aligning your financial life requires deep communication. Make sure your support team has a clear picture of how they are expected to work together.
- **Embrace the benefits of delegation.** Your professional team is there to help support you with their guidance. Let them provide the insight you need, and take this weight off your shoulders.

## HOW WE CAN HELP

Launching and growing a small business is a challenging and time-consuming endeavor. This is why in times of economic fluctuation and changing regulations, we believe it's critical to seek guidance from a financial professional.

The information in this ebook offers a helpful overview of what you might need to prepare for your own retirement. From our experience, small business owners who consider these strategies—and take proactive steps to plan for the future—are better able to enjoy the lives they desire.

If you have any questions about the information or would like to discuss your specific needs, please contact an Old National Private Banker at [oldnational.com/wealth](https://oldnational.com/wealth) or 1-800-236-6789. We would be delighted to speak with you.

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<sup>1</sup> SBECouncil.org, 2022. <sup>2</sup> BusinessNewsDaily.com, June 29, 2022. <sup>3</sup> USChamberFoundation.org, 2022. | 2329237-0423-078