A business owner's guide to retirement planning

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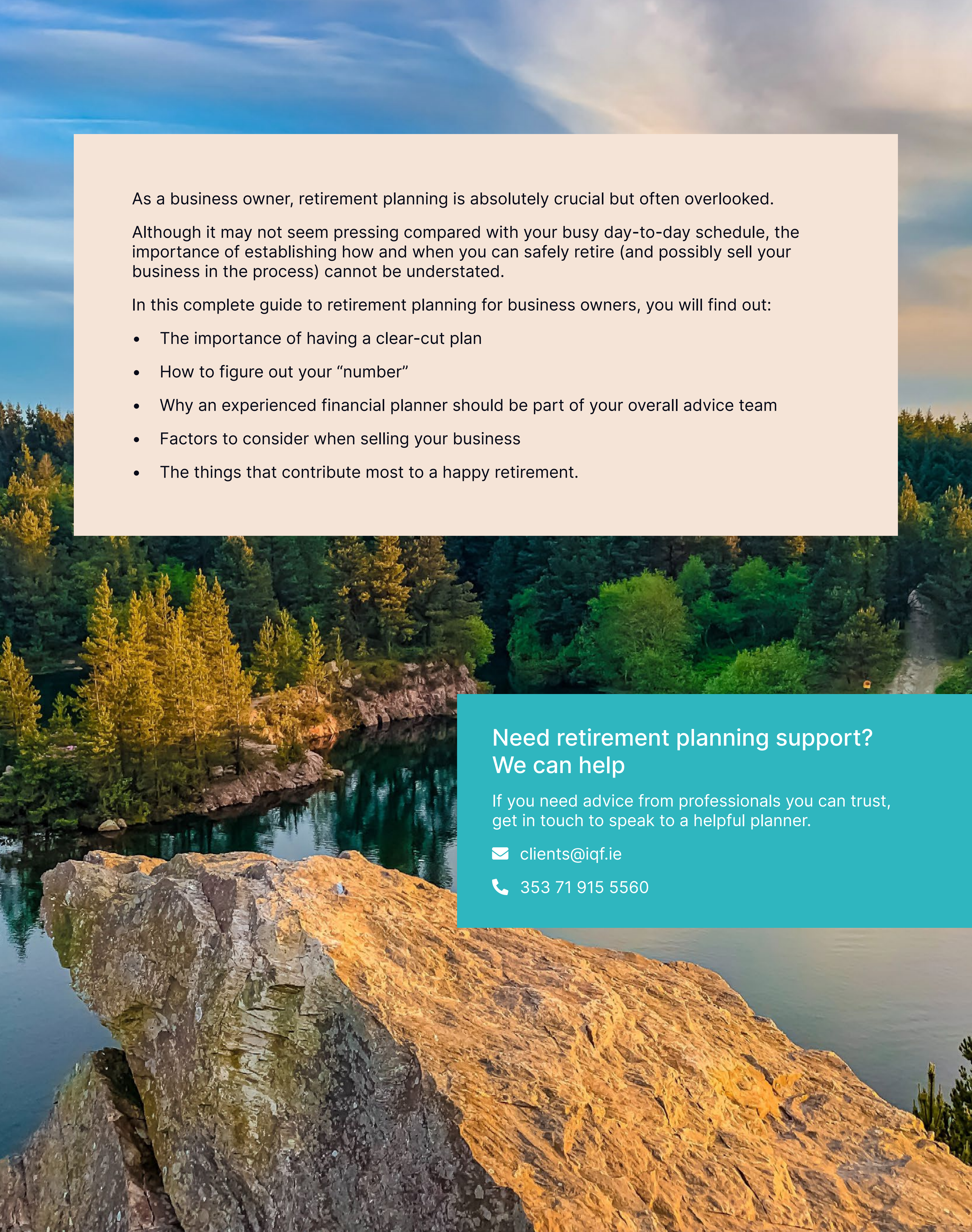

As a business owner, retirement planning is absolutely crucial but often overlooked.

Although it may not seem pressing compared with your busy day-to-day schedule, the importance of establishing how and when you can safely retire (and possibly sell your business in the process) cannot be understated.

In this complete guide to retirement planning for business owners, you will find out:

- The importance of having a clear-cut plan
- How to figure out your “number”
- Why an experienced financial planner should be part of your overall advice team
- Factors to consider when selling your business
- The things that contribute most to a happy retirement.

Need retirement planning support? We can help

If you need advice from professionals you can trust, get in touch to speak to a helpful planner.

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Creating a financial plan is an essential step towards providing for your family

Benjamin Franklin once said: “By failing to plan, you are preparing to fail”.

As a business owner, you know that this is true of so many things in life – certainly when planning for your family’s financial security. Financial planning is an ongoing process that can help you take control of your finances, plan your future financial life, and ensure you align the use of your money to what’s really important to you.

Like all good plans, you should start by looking at where you are today, take time to figure out what you want to achieve, then develop a plan to help ensure you get there.

Failing to plan puts much of your future success in the hands of the gods.

If you don’t take the time to figure out where you’re going and to look at the different options you have to get there, ask yourself: what are my chances of success?

You would never set out on a car journey without knowing where you’re going and looking at a map (or GPS) to plan how best to get there. Why leave something as important as your family’s future to chance?

The funny thing about a financial plan is that, just like running a business, once you put a plan in place, life happens and your plan needs to change. The process of putting a good financial plan in place, and reviewing it regularly, can:

- Help to give you clarity about where you are financially, and how your financial future will look
- Show you your options, and the strategies you could use to help you reach your goals, which may help you to make more informed decisions
- Give you time and space to think properly about where you are today, and to figure out what is most important to you and your family
- Be flexible enough to allow for changes to be made while still allowing you to remain on track to reach your goals – you could call this your “margin of error”, a key part of any plan
- Allow you to identify what needs to be done to provide for your family, should something unfortunate happen to you.

Finally, your spouse or significant other should, ideally, be fully involved in the planning process from the outset. They will be fundamentally affected by the plan, and should have an influence on how the plan looks initially and how it is tweaked year after year.

Knowing your “number” can help you and your family thrive in future

Calculating your number is easy to do once you have figured out the key elements that go together to form your financial plan.

These include:

1. **Working out how much you (or your family if you pass away) need to spend each year to maintain your lifestyle**

Many business owners and retirees we meet have a round number in their heads that feels like it could be enough. However, it is important to spend a little time calculating the actual number properly; rough ideas won’t suffice.

2. **Naming the milestone events that are important to you, and working out how much will they cost**

These could include a much-anticipated world trip, a home relocation, a bolthole by the sea or abroad, and helping your son or daughter pay for their wedding or house deposit – the possibilities are endless.

3. **Calculating a reasonable estimate for future inflation**

Over 10 years, based on historical rates of annual inflation, your money will lose around 30% of its real value (or purchasing power) if it is left in cash.

Choosing appropriate investments to obtain an attractive long-term return and ensuring you factor inflation into the calculation are key components of protecting your purchasing power over the years and decades ahead.

4. **Deciding where will you invest the money you have accumulated**

It is important to ascertain how much of a return it is reasonable to expect your investments to generate in the long term.

5. **Assessing how much room for error you want to build into your plan**

As the author Morgan Housel said: “The most important part of any plan is planning on your plan not going according to plan”.

Incorporating a margin of safety into your plan could be an effective way to safely navigate a world that is governed by odds rather than certainty.

What’s your “number”? We can help you find the answer

Your “number” is the amount you need to accumulate for you and your family to live comfortably once you have retired, or have sold your business.

Employing experienced advisers can help you create a bespoke retirement plan

“Money is what you pay, value is what you get”, is a quote often attributed to Warren Buffett, one of the most successful investors and businessmen of all time.

This certainly holds true when considering the advisers you could retain to help you with the various aspects of developing a retirement plan, and selling your business. Always seek to retain highly experienced advisers, as the value they bring could be worth far more than the fee you pay.

Your retirement plan should be created by a financial planner who:

- Has experience dealing with business owners like you
- Has a proven, rigorous retirement planning process. This is hugely important; a good process helps to ensure that your plan is based on a thorough assessment of your unique situation, and that it can successfully address your needs and those of your family.
- Is only interested in creating a long-term, in-depth relationship with you, in which you work together year after year to ensure you stay on course. This is particularly vital during times when elements of the plan may not be unfolding as you had hoped – for example, witnessing a temporary fall in the value of your investments.
- Has a well-thought-out investment philosophy in which they have absolute conviction, and which they can articulate in a way that you and your family can understand. When it comes to investing, simplicity is sophistication, and ensuring that you are fully comfortable about where your money is invested and why, is of tantamount importance.
- Is happy to work as part of a collaborative team with your other professional advisers to ensure that all necessary arrangements are in place relating to every aspect of your personal financial life.

Build a strong advice team you can trust

For those readers planning the sale of your business, your "advice team" should include some, or all, of the following professionals.

1. A solicitor, to handle the legal work involved with the sale and have input into the structure used. Most of the legal work will be done when the sale is agreed, but your solicitor should be consulted when the structure is being chosen.

2. A tax adviser, who will provide input into the deal structure, due diligence, and tax planning to ensure your liability is minimised where possible. This adviser should be retained at least three years in advance of any sale to ensure the conditions necessary to attract maximum reliefs can be met.

3. An accountant, to assist with the preparation of financials and to work alongside your tax adviser. Most of the work will be done at the time of the sale, but your accountant should also be consulted when the structure is being chosen.

4. A financial planner, who will oversee the personal side of the transaction, complete personal financial planning, and handle the investment management. Your financial planner will work with your tax adviser when planning an exit structure before any sale, to ensure the money you will receive is sufficient to meet the needs of your plan over the long term.

5. A business and/or property consultant, depending on the assets within your business, may be needed to manage the sale of assets or shareholding. It may be wise to engage this consultant at the time of sale.

5 essential factors to consider when selling your business

Selling a business is, in the majority of cases, a one-off transaction for business owners. So, it is important to prepare your exit strategy properly and in plenty of time, ideally three years before you intend to sell.

Selling can be a time-consuming, emotional and stressful process; good planning can help to reduce the stress and make the process more efficient. Appointing advisers with experience, who understand what you need and who can guide you through the process, is critically important.

Here are five essential factors to consider when selling your business.

1. Advance planning

To secure a competitive price, you need to ensure you plan your exit in plenty of time – and believe it or not, three years beforehand is not too early to start the process.

Look at your industry and identify what buyers value most in a business like yours, then work to position your business so that it is as attractive as possible to potential buyers.

Together with your financial, legal, and tax advisers, you may wish to examine the exit strategies that are available to you, with a particular emphasis on the effect each strategy has on the timing of the sale and the tax you will have to pay.

2. Increasing your business's value

Generating higher profits by increasing your turnover, and potentially reducing expenses, should put you in a position to maximise the value of your business.

If costs can be cut, it may be wise to make the decision to cut them now and increase profits pre-sale. Buyers are often attracted by higher profits, rather than the possibility of them increasing future profits by cutting expenses.

3. Staff and business issues

If you have key staff, without whom prospective buyers could be uncomfortable, it could be beneficial to tie them in for the long term now.

If there are any issues (for example, legal actions or HR problems) that you know could affect the attractiveness of your business in the eyes of a purchaser, tackling them now, not later, may be constructive.

After all, there is no point in hoping for the best; anything that has the potential to negatively affect the sale should be identified and remedied without delay where possible. If they are not, potential buyers are likely to discount their offer price.

4. Maintaining confidentiality

If staff, suppliers, or clients learn that your business is for sale, it could negatively affect your business's performance in the short term and ultimately the value of your business when you sell.

So, it may be prudent to make sure the process is kept confidential at all times, with only key people who need to know being party to the process.

5. Finding the right buyer

Many business owners find it difficult to identify the full range of potential owners who may be interested in acquiring their business.

In fact, there can be a large number of potential buyers – some may be abroad or even operate in a different sector. The process of finding a buyer usually involves a huge amount of work and can be extremely time-consuming.

How do you define the “right” buyer?

The right buyer may have to do more than pay the highest price in the shortest time frame.

Other elements that may be important to you could include:

- Their plans for how your business will operate going forward
- Their intentions regarding your workforce and your clients
- What involvement (if any) they may want you to have for a period after the sale.

The 5 critical areas that could most affect your happiness in retirement, and why they're important

As business owners, it can be very hard to spend the time we should looking after ourselves.

One of the most obvious potential benefits of retirement is that it gives you the opportunity to concentrate on things that are really important to you – something you may never have had when you were working full-time.

Research has shown that the following are five key elements of our overall wellbeing and happiness in retirement, and that if we give time and focus to nurturing each element, we may enjoy life more, be healthier, and feel more fulfilled. Isn't that what life is all about?

1. Purpose

Your business is probably your main source of purpose until you retire. So, it's important to think about what your post-retirement purpose will be.

In the run-up to retirement, ask yourself key questions, such as:

- How will I spend my day?
- What will replace my work and give me a reason to get out of bed every morning, enthusiastic and full of energy for the day ahead?

Find your purpose and you'll be well on the way to a long and happy retirement.

2. Social interaction

Do you have a social network outside your job, such as family and friends whose company you enjoy and who you would like to spend more time with?

In particular, men are generally not as good as women at nurturing social contacts. It is important that you invest time in developing and improving your relationships – it could pay huge dividends (the non-cash kind!) in the long run.

3. Community involvement

People who feel part of a community are generally thought to be happier than those who do not.

Community could be your local area, your sports club, your church, or any other group with whom you feel an affiliation. Giving back to your community, as with all giving we do, is proven to be more beneficial to the giver than the receiver. So, take time to consider if community involvement could play a part in your life post-retirement.

4. Physical and mental health

Your mental and physical health has a huge influence on your happiness, with research indicating that mental health is the strongest individual predictor of life satisfaction.

You should try to ensure that you take the time before and during retirement to look after your mental and physical health. Like anything else, setting time aside in your daily or weekly routine is the key to successfully managing this critical element of your retired life.

5. Financial wellbeing

While most people would accept that we need a certain amount of money to lead a happy life, research suggests that money is the least important of the five elements we have detailed.

That said, the plans we have made and the money we have accumulated after decades of hard work help us to have peace of mind, plus a sense that we will be protected financially. Ultimately, money is a hugely important factor in how happy and content we will feel.

5 reasons why you should choose iQ Financial

1. We deal exclusively with a small number of business owners like you, so we understand the main challenges you face when planning for your retirement.
2. We are financial planners who concentrate on you and your family. We are only interested in developing long-term, deep relationships with clients, based on a detailed understanding of all aspects of your personal finances and, critically, of your personal goals for the future.
3. We match your money with your life. Our ultimate aim is to help you lead a full and happy life, both now and in the future, with the money you have.
4. We work hard to provide a level of service to you and your family that is unmatched by other firms.
5. We will not engage a new client unless we are confident that the value you will get from dealing with us will be a multiple of the fee you pay us.

Get in touch to start planning your successful retirement journey today

In summary, when planning for your retirement and the sale of your business, you should make sure that you:

1. Have a plan that you are comfortable with; don't leave this to chance
2. Know your number; having a rough figure in your head is not enough
3. Employ experienced advisers. This could be the biggest financial transaction of your life. Engage with professionals with experience of your situation, to ensure you maximise your financial return where possible, and manage what can be a stressful process as efficiently as possible.
4. Prepare for the sale of your business in plenty of time by ensuring that the business is as attractive as possible to potential buyers. Don't put this off too long, as you could find yourself regretting the lack of options you may have if you leave it too late.
5. Think about what you will do to ensure you lead a happy, healthy and fulfilled life in retirement. While planning around finance, tax and exit structures is vitally important, spending time planning your life in retirement is the most important thing you can do. There are lots of miserable wealthy people – don't be one of them.

We hope this short guide has been helpful. If you would like to learn more about us and how we may be able to assist you, please get in touch and we'll be happy to talk to you about how we can help.

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