



# A Comprehensive Guide to Financial Planning for Small Business Owners

As a business owner, you've chosen to bring your vision of a product, service, or experience to life. You've thought about all of the things you need to make your business a success, from investing in your people to scaling to meet future demand.

But without proper financial planning, you may struggle to meet your goals and build a sustainable, future-proof business. As a two-generation family business, we understand your competing priorities, your passion for your business and your team, and the risks you may not even know you're facing yet. We're here to provide pressure-tested financial guidance, helping you to maximize your business's potential.

Follow these eight tips to turn your dreams for your small business into reality:



## 1. Set Attainable Financial Goals

Setting financial goals is crucial for small business success. It helps you to define your objectives, gives you clear direction, and facilitates more effective resource planning. Financial goals also provide a benchmark for measuring your business's success. By tracking progress against financial goals, small business owners can assess their performance and make adjustments as necessary.

When working with our entrepreneur clients, we guide them through setting both business and personal financial goals - while making sure that one doesn't disrupt the other. Your business and personal assets and cash flow are separate, after all, and your goals should be too. We coach our clients to set attainable goals, then stand by them to motivate them when they feel too challenged and celebrate wins as they happen.

## 2. Build Your Financial Team

Every successful business has a successful team behind it, and we don't just mean you and your employees. Large corporations have the budgets for employing teams of professionals in areas like finance or law, but not many small businesses have that luxury.

Instead, you get to choose your team of professional advisors to be on hand when you need them. The number and type of specialists you have on your team will depend on your specific business and circumstances, but we help our business owner clients build their teams with the following:

- A CPA to support your business's finances, from reporting and forecasting to preparing and filing those all-important tax returns.
- A licensed attorney to understand and prepare contracts and other legal documents, and to have your back if any legal issues arise.
- A banker to provide access to the financial products your business needs, including loans, credit cards, and business checking accounts.
- A financial advisor to serve as your external CFO. We position ourselves as the quarterback for our clients' teams, giving entrepreneurs one contact point to assemble the professionals they need, managing projects across these professionals, and serving as their accountability and efficiency lever to allow them to focus on building their business.

### 3. Consider the Top Risks Your Small Business Could Face

Starting and running a business comes with its own risks. COVID added a new layer to the risks that business owners face, and stress-tested even seemingly stable companies with solid cash flow, as entire industries were brought to a standstill overnight.

At BFS Advisory Group, we developed the idea of a “risk stack,” which we use to help guide our clients’ important financial decisions. Consider the level of risk that small business owners have in their total net worth compared to big corporations.

While their businesses can represent enormous wealth-building opportunities, the challenges of cash flow, business partners, ever-changing economic conditions, and client demands add extra layers of uncertainty to their largest asset.

As a business owner, you’re both the biggest risk to your company and the biggest opportunity to make it a success. Because of that, you need to consider all of your assets (both business and personal) in your risk stack as you decide how to invest your distributions. Here’s an example:

Asset	Current Value	Target Value	Risk Level
[Company name]	25000000	50000000	High
Real Estate and Private Investments	500000	3000000	Moderate High
Long-Term Investments	250000	10000000	Moderate
Secondary Cash Reserves	250000	500000	Moderate Low
Cash	200000	250000	Low

We encourage all of our entrepreneur and small business owner clients to determine a risk stack that’s appropriate for their goals and the potential distributions from the company, maintaining a disciplined diversification strategy that achieves the proper levels of risk.



## 4. Create Cash Flow Projections

For small businesses, cash flow is more important than profit (or loss). Many profitable businesses fail due to lack of cash flow. And, some money losers survive because of positive cash flow. Since many businesses aren't big enough to have a Chief Financial Officer on the team, the job of projecting cash flow falls on you, the owner. Your resources might be limited, which is why it's vital that the decisions you make about how to allocate those resources are properly informed.

Cash flow projections help you to predict potential shortages or times when you might need additional funding to support your business's growth. It also helps with the day-to-day by enabling you to more effectively manage regular expenses and make sure you're able to meet your business's financial obligations.

## 5. Plan Your Taxes

You shouldn't just "do" your taxes; you should develop a strategy for your taxes. Working with a CPA and a financial advisor around your taxes can help you decide on the type of structure that's right for your company, maximize deductions, and get an accurate understanding of your cash flow after taxes. We work with our business owners and their CPAs on establishing and funding the right retirement plans to maximize tax deductions and recruit talent, depending on the growth and exit plans for the company.

Maintaining accurate financial records is key for less stress at tax time, and there are many tech tools that can help. You may also need a bookkeeper or CPA to help you track your revenue and expenses throughout the year so you know what to expect at tax time. This will also help you make tax-smart decisions with your other assets, including your portfolio and cash reserves.

## 6. Plan For Financial Independence

Business owners have a wide variety of options available to them to help accumulate wealth while saving taxes, from the very basic SEP-IRA and SIMPLE-IRA options to the more complex Defined Benefit and 401(k) options. As your company grows, you may choose to reward key employees with Deferred Compensation, stock options, or equity ownership in the company.

There are probably as many plans available as there are types and sizes of companies. Also, the SECURE 2.0 Act of 2022 introduced many nuanced changes to retirement plans, so it's highly recommended that you work with a financial advisor to help you understand and make smart decisions around retirement.



## 7. Create Succession and Exit Plans

You should always be thinking about how you intend to exit your company - both to motivate you to maximize value in your company at all times, and also to give yourself, your team, and your customers confidence that your company will thrive after your departure.

Exits have vastly different strategies, tax results, and financial outcomes. Consider the following:

**Close:** Whether intended or forced, a decision to close your business without a sale means that your business provided you with income but no equity to support you in the future.

**Private equity:** While often the most lucrative, this type of exit also normally requires a prescribed exit from the company. There's often always an expectation that the new owners will change processes and personnel, with an eye towards another sale of the company at a higher price in three to five years.

**Pass down to family:** More than 30% of family businesses pass down to the next generation, but only 12% continue on to a third generation. If your business is a family one, it's worth putting time and thought into this early on.

**Business partner "divorce:"** This type of exit is, understandably, the messiest. If partners find themselves in a place where they no longer feel like they're going in the right direction or even the same direction as each other, it may result in one partner leaving the company. If your business consists of more than one partner, making a partner exit plan at the beginning - like avoiding a 50/50 partnership - can avoid a stressful situation if it comes to "divorce."

**ESOP:** For owners who want to give their companies the opportunity for a long future, and who want to reward their employees, an Employee Stock Ownership Plan may be the best option. These plans are complicated but can be very rewarding for the owner, the company, and the employees.



## 8. Consider How Your Business Can Give Back

Many successful business owners want to give back to the community that supported them, and it reinforces your brand and value to support the community in a way that is consistent with your company's mission. Many companies volunteer or donate together as a team.

You could also consider establishing a business donor-advised fund as a great way of donating to nonprofits. Just like an individual donor-advised fund, this approach lets you give back to the community by investing money in an account that's specifically for charitable giving



## Strengthening Your Business's Financial Future

Taking your business from start-up to success relies on proper financial planning, and BFS Advisory Group can work with you to achieve just that.

You need to prioritize your time, money, and financial goals in a way that's flexible enough to weather potential storms and powerful enough to help you scale and grow. We can help with strategic thinking and efficient planning that lets you focus on your business while your portfolio grows. For financial support that's tailored to your business, speak to one of our small business advisors today.

**bfsadvisorygroup.com**  
**hello@bfsadvisorygroup.com | (214) 764-1964**  
**8201 Preston Road Suite 400 Dallas, TX 75225**

Securities and investment advisory services offered through FSC Securities Corporation (FSC), member FINRA/SIPC. Financial planning services offered through BFS Advisory Group, LLC, a registered investment advisor. Insurance is offered by Debra Brennan Tagg as an independent insurance agent. FSC is separately owned and other entities and/or marketing names, products or services referenced here are independent of FSC.