



# Financial planning *checklist* for business owners

As an entrepreneur, juggling work and family life can be a precarious balancing act. You may have the majority of your financial assets and income tied to your business, which can leave you stretched thin with not enough invested in yourself.

A well-crafted personal financial plan can help you overcome the particular challenges you face as a business owner. Use this checklist to hone in on potentially neglected areas in your finances. It's a first step in developing a holistic money management strategy that works toward short- and long-term goals for your business and you.

## **I know my personal and business goals.**

**Yes      No      Somewhat**

Defining your goals provides the foundation for sound financial planning moving forward. Ask yourself:

What are my personal financial priorities (e.g., reduce debt, increase cash flow, buy property)?

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What are my personal financial goals (e.g., build college savings for children, protect wealth, retirement)?

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What are my business priorities and goals (e.g., product launch, lower expenses, sell the business)?

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**I save and invest according to my goals.**

**Yes      No      Somewhat**

Business owners can make the mistake of committing so much to their business that their personal goals suffer. Saving and investing outside of your business can be integral to achieving your desired future. Ask yourself (check all that apply):

Am I paying myself enough?	Yes	No	Somewhat
Have I coordinated my business and personal income to minimize taxes and maximize benefits to me and my business?	Yes	No	Somewhat
Have I made retirement savings a priority and established the right plan (e.g., 401(k), traditional or Roth IRA, defined benefit) for my situation?	Yes	No	Somewhat
Do I have adequate life insurance to provide my loved ones with an income stream in the event of my death?	Yes	No	Somewhat
Do I have cash reserves for my personal finances and business needs if I encounter a cash flow crisis?	Yes	No	Somewhat
Can I access the credit I need to help the business grow, cover short-term costs, etc.?	Yes	No	Somewhat
Do I save regularly and invest cash inflows exceeding my current expenses and lifestyle needs into an account or assets outside of my business (e.g., in stocks/bonds or income-producing assets like real estate)?	Yes	No	Somewhat
Do I review how much I am saving outside of the business at least annually, taking advantage of strong years to help offset periods when my business may underperform?	Yes	No	Somewhat
Are my non-business holdings well-diversified outside of my industry/offering and in different geographies?	Yes	No	Somewhat
Am I investing according to my goals and the timeframe for achieving them?	Yes	No	Somewhat
Have I augmented my retirement assets even if I plan on selling my business?	Yes	No	Somewhat
Am I tracking my progress against my goals and revisiting my investments as necessary?	Yes	No	Somewhat
Do I have a relationship with a financial professional whom I trust?	Yes	No	Somewhat

**My loved ones are protected against the unexpected.****Yes      No      Somewhat**

Life insurance can protect your assets and those you love from risks unique to you as a business owner. It can help ensure your personal assets are settled and that safeguards are in place if you die or become disabled and unable to work. Life insurance can replace the contribution you would have made to household income, cover personal debts like your mortgage, and even help fund post-secondary education for your children or accomplish other legacy goals. You can also substitute life insurance for personal property as collateral on a loan to grow your business. Ask yourself (check all that apply):

Do I have employee benefits like group life insurance or disability insurance?	Yes	No	Somewhat
If not, do I have personal life and disability insurance?	Yes	No	Somewhat
Would my estate be able to pay off large debts like a mortgage or student loans?	Yes	No	Somewhat
Have I equalized my estate to make sure that assets transfer fairly between my beneficiaries?	Yes	No	Somewhat
Have I planned for end-of-life expenses (e.g., long-term care insurance)?	Yes	No	Somewhat
Do I review my coverage annually or when I make a major purchase or experience a life-changing event (e.g., birth, marriage, receiving an inheritance)?	Yes	No	Somewhat
Do I have a life insurance advisor whom I trust?	Yes	No	Somewhat

**My business is protected against the unexpected.****Yes      No      Somewhat**

As another interest to protect, your business can benefit from using life insurance to meet such needs as covering a tax liability at death, helping ensure adequate funding for a buy-sell agreement, or as loan collateral. It can be a cost-effective and convenient way to sustain your business through uncertain economic and strategic transitions. Ask yourself (check all that apply):

Do I have supplemental cash flow and the capital to weather economic downturns?	Yes	No	Somewhat
In the event of my death, does my family have enough immediate funds so that my business can continue to operate?	Yes	No	Somewhat
Do I have key person insurance to finance the cost of replacing an important business partner or employee or to meet revenue shortfalls or other operational losses arising from their death?	Yes	No	Somewhat
Have I considered how to facilitate a smooth transition of business interests to surviving owners via a buy-sell agreement?	Yes	No	Somewhat
Do I fund a deferred compensation plan, provide supplemental retirement income, or offer larger death benefit protection to my employees as a perk?	Yes	No	Somewhat
Have I considered other types of coverage, such as business liability, business interruption, and/or commercial property insurance, in addition to personal liability, property, and casualty insurance?	Yes	No	Somewhat
Do I work with financial professional(s) on employee benefits and insurance needs?	Yes	No	Somewhat

**I offer desirable employee benefits.**

**Yes      No      Somewhat**

Providing a benefits package can be a way to attract and retain top talent while showing your employees that you are invested in their overall health as well as their future. Choosing the right plan means weighing a variety of factors, including your reasons for having employee benefits. Ask yourself:

What are my goals in offering a benefits package (e.g., incentivize, create a sense of ownership, stay competitive, enjoy tax breaks)?

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What plan attributes would be most attractive to my employees?

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What level of health insurance is available to my employees?

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What paid leave is available to my employees (e.g., vacation/sick days, family leave)?

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What employee retirement plan do I offer (e.g., SEP plan, SIMPLE IRA, qualified plan, 401(k) plans)?

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What financial professional(s) do I work with on my business's employee benefits and insurance needs?

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**My business capital and funding needs are being met.**

YesNoSomewhat

Your business is never finished growing and each milestone you reach will likely have a significant cost associated with it. Access to capital and the right funding model are key to maintaining control of your business as it grows. Ask yourself:

What are my capital needs (e.g., to pursue investments, bridge liquidity and cash flow issues, expansion)?

How am I optimizing profits to support future growth?

What lending programs have I considered to fuel my business?

**I have a business succession plan.**

YesNoSomewhat

With the daily demands on your time and attention, long-term planning can be easy to put off. But it's important to start succession planning as early as possible before your planned exit for the transition to be most successful. Whether you want to sell, transfer, wind down your business, or incorporate it into your retirement plan, a written succession plan puts you in control of your financial future. Effective communication is fundamental to the process, especially in family enterprises. Have structured conversations with those involved about your long-term vision for the business. Ask yourself:

Do I have a professional business valuation and is it up to date (within the last 1 to 2 years)?

Do I have the right advisory team in place (CEPA®, tax advisors, and lawyers with experience in exit planning)?

Do I understand that exit planning is an integral part of a business strategy?

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Have I accounted for potential drops in the value of my business? How can I enhance its value?

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What are the tax implications associated with monetizing my business and how am I mitigating them?

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Is there an individual with the skills and interest in running the business and how would the transfer take place?

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If I sell the business, how will my successor(s) obtain the funds to assume ownership?

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Have I considered a management and/or employee buy-out? What would that look like?

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Have I considered a sale to a third party, the implications for that path and the potential advisors that I would need to add to my advisory team (e.g., investment banker, private equity partner)?

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If I plan to sell the business to family members, how am I preparing them for their future roles and how will they fund the purchase? How am I treating family members not involved in the business in my estate plan?

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What are my plans for my life when I'm no longer involved in the business?

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**I have a personal retirement plan.**

**Yes    No    Somewhat**

As a business owner, you are completely responsible for your own retirement planning. Other than liquidating your business, common options for funding your retirement include IRAs, SEPs, 401(k)s and profit-sharing plans. Even if you want to keep working, establishing a retirement plan provides built-in flexibility to redefine your path as you choose. Ask yourself:

What are my retirement goals?

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What are my sources of retirement income?

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How can I reduce my tax obligations and benefit from tax-deferred growth on my retirement savings?

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**My will and estate plan are current and reflects my wishes.**

**Yes    No    Somewhat**

A will and estate plan helps ensure the assets you worked so hard to acquire over your lifetime are distributed according to your wishes without time and money wasted in probate court. Your primary estate planning documents, including your will, living trust, power of attorney, advanced health care directive, and guardian(s) (if applicable), should be up to date and account for your business. Waiting to create a plan can mean fewer options for your business and your beneficiaries if the unforeseen happens.

Is your will and estate plan ironclad? Find out with the *Estate planning essentials checklist* available from John Hancock Investment Management.

**Get financial planning on your agenda**

As a business owner, your personal and business finances are inextricably linked and a decision regarding one will impact the other. By working with a team of financial professionals, you can design a comprehensive, carefully designed financial plan for achieving your own goals without jeopardizing the stability and success of your business.



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