

Wealth Management for Business Owners:

5 Strategies to Build, Protect, & Transition Your Success



Harford Financial Group
Retirement Income Specialists

James had spent years building his business, reinvesting every dollar back into growth. He told himself that the business was his retirement plan. But when tax season came, he faced an overwhelming tax bill. When he finally thought about stepping away, he realized he had no clear strategy for selling or passing down the company.

He wasn't alone. Many business owners make the same mistakes. Without a comprehensive financial plan in place, business owners risk:

- Paying more in taxes than necessary
- Having most of their wealth tied up in their business with limited personal liquidity
- Lacking a clear exit strategy, making it difficult to sell or transition their business successfully
- Leaving their wealth and legacy exposed to unnecessary risks

The good news? These pitfalls are preventable with a holistic wealth management plan that aligns your business and personal finances.



Why Business Owners Need a Different Approach to Wealth Management

Traditional financial planning often fails business owners. Your financial life is more complex than the average person, with distinctive challenges that demand specialized knowledge. For example:

- Your business and personal finances are interwoven at multiple levels
- Your income and tax picture can fluctuate dramatically from year to year
- Your primary asset (your business) lacks liquidity and presents valuation challenges
- Your approach to risk differs markedly from traditional employees
- Your timeline for exiting your business may shift and evolve over time

As a financial advisory firm who works extensively with business owners, we recognize these unique challenges because we've faced many of them ourselves.

In this guide, we'll speak from our firsthand experience and specialized knowledge to walk through five key strategies that can help you build, protect, and successfully transition your business wealth.

These strategies work together to create a comprehensive approach specifically designed for the particular challenges you face as a business owner.

Strategy #1: Optimize Cash Flow by Minimizing Taxes

To illustrate these strategies, let's continue following the story of James, a business owner whose experiences reflect common situations



we've encountered with many entrepreneurs over the years.

James had never considered whether his business structure was the most tax efficient or strategies to proactively reduce his taxes. After consulting with an advisor who specializes in business owner planning, he realized he had been paying more than necessary.

Effective tax management is fundamental to preserving wealth for business owners like you. Without proactive planning, you're likely leaving substantial wealth behind each year that could be used to grow your business or build personal wealth.

Working with professionals, James discovered several strategies that transformed his tax situation. As a business owner, you can implement similar approaches. You may want to consider:

- **Optimizing Your Business Structure:** Is your entity type (S-Corp, C-Corp, LLC) still the right fit for your current situation? James switched to S-Corp, lowering his self-employment taxes and unlocking additional tax benefits. Your ideal structure depends on your specific revenue, growth plans, and personal financial goals.
- **Rethinking Your Compensation Strategy:**

How you pay yourself matters. Instead of taking only a salary, consider a strategic combination of salary, distributions, and deferred compensation to reduce your tax burden while building long-term wealth.

- **Maximizing Your Retirement Contributions:** Are you fully utilizing retirement vehicles designed for business owners? Contributing to a Solo 401(k), SEP IRA, or Defined Benefit Plan can significantly reduce your taxable income while simultaneously building your retirement nest egg.
- **Capturing All Available Deductions:** Many business owners miss valuable deductions for equipment purchases, home office expenses, and even research and development (R&D) activities. A thorough review of your business expenses could reveal numerous tax-saving opportunities.
- **Strategic Charitable Giving:** If philanthropy is important to you, structures like donor-advised funds can help you support causes you care about while creating meaningful tax advantages for your business.

Incorporating tax management strategies into your financial plan can help legally reduce your tax burden just as James did, keeping more of your hard-earned money to reinvest or save.



Strategy #2: Stop Relying on Your Business as Your Retirement Plan

James assumed selling his business would fund his retirement. But when he met with a business broker, he was shocked—the valuation was lower than he expected, and buyers weren't guaranteed.

If you're like many business owners, your company may represent 70-80% of your net worth. This concentration creates significant risk to your long-term financial security. **Thoughtful financial planning can help you grow and protect your wealth beyond the value of your business.**

James learned this lesson the hard way, but you can take steps now to protect your financial future by:

- **Recognizing the Risks of an "All Eggs in One Basket" Approach:** Only about **20-30%** of businesses that go to market actually sell, and the final price is often much lower than owners expect. Even successful businesses can face valuation challenges due to market conditions, industry changes, or buyer financing issues.
- **Creating Wealth Outside Your Business:** Start building assets independent of your company through retirement accounts like Solo 401(k)s, SEP IRAs, and personal investment accounts. These provide diversification and liquidity you can't get from your business alone.
- **Making Your Business More Sellable:**

Take steps now to reduce your company's dependence on you personally. Document processes, develop your management team, and create diversified revenue streams that make your business attractive to potential buyers.

- **Exploring Owner-Specific Retirement**

Strategies: As a business owner, you have access to retirement vehicles with much higher contribution limits than typical employees. Explore options like Defined Benefit Plans that allow for significant tax-deferred savings.

By implementing these strategies, you can create a reliable future for your family that doesn't depend entirely on your business's eventual sale price—giving you more options and peace of mind as you approach retirement.



MISSED OPPORTUNITIES

One consultation with an experienced advisor could help you identify growth opportunities you might be missing. Schedule yours today.

Strategy #3: Protect Your Wealth with Insurance & Risk Management

James never considered what would happen if he couldn't work. After an unexpected injury left him sidelined for months, he realized he had no financial safety net and was forced to rely on personal savings to cover expenses.

Research shows that **75%** of small businesses in the US are underinsured, leaving them vulnerable to events that could cause financial devastation. Don't let your business become part of this statistic.

As a business owner, you face unique risks that can threaten both your company and personal finances. Comprehensive protection strategies are essential to safeguard the wealth you've worked so hard to build.

Here's how you can protect your business and personal finances more effectively:

- **Secure Your Personal Income:** What would happen to your family and business if you were unable to work? Disability insurance replaces lost income, ensuring financial stability during periods of illness or injury. Without it, you might be forced to deplete your savings or sell business assets at a discount.
- **Protect Your Most Valuable Business Asset—Your People:** If you or a key employee suddenly couldn't work, would your business survive? Key person insurance helps bridge financial gaps during critical transitions, providing funds to hire replacements or cover



operational costs while you adjust.

- **Shield Your Personal Assets from Business Risks:** Business owners face heightened liability exposure. Umbrella liability insurance provides an additional layer of protection beyond standard policies, helping ensure a lawsuit doesn't wipe out your personal wealth.
- **Use Employee Benefits Strategically:** Offering retirement plans, health insurance, and disability coverage not only helps you attract and retain talent but can also provide significant tax advantages for your business while creating loyalty among your team.

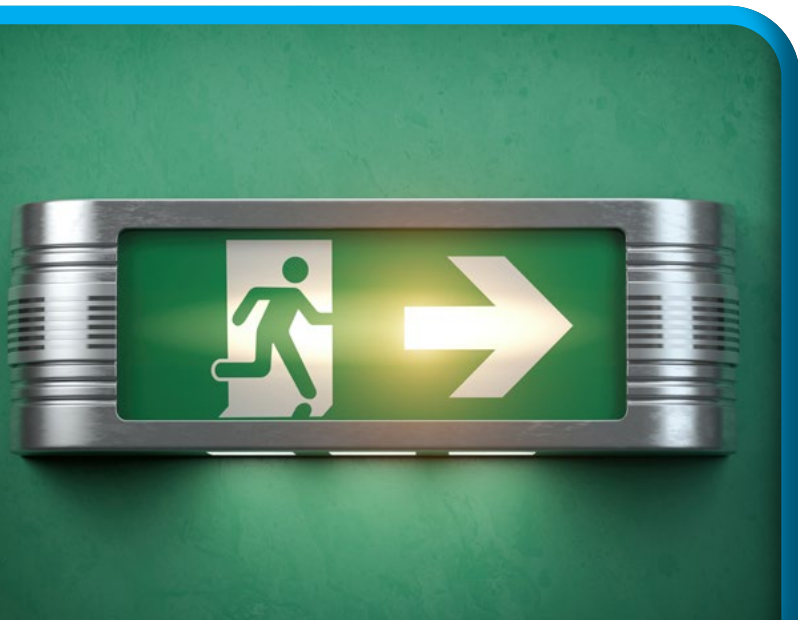
Implementing these protection plans can create a safety net for both your business and family, giving you the confidence that your financial future remains intact even when unexpected challenges arise.

Strategy #4: Plan Your Business Exit & Legacy Before It's Too Late

James had no clear exit strategy. If he wanted to sell, who would buy it? If he wanted to pass it down, were his heirs ready? The lack of planning meant he was at risk of leaving significant money on the table.

Every business owner will eventually exit their business—whether through sale, succession, or other means. Without proper planning, this transition can destroy value and create unnecessary tax burdens.

Studies show that nearly **two-thirds** of small



business owners have no succession plan. This lack of preparation often leads to failed transitions and lost value. The reality is that exit planning isn't just about your business—it's about securing your financial legacy.

To avoid James's mistakes and maximize the value of your life's work:

- **Start Planning Years Before Your Intended Exit:** The most successful business transitions begin **at least a year in advance, ideally three to five years** before the actual change in ownership. This gives you time to improve operations, strengthen financials, and prepare both the business and potential successors.
- **Create Clear Legal Frameworks:** If you have business partners or family members involved in the company, establishing buy-sell agreements now prevents potentially devastating disputes later. These documents clarify exactly what happens if an owner dies, becomes disabled, or wants to exit.
- **Structure Your Exit for Tax Efficiency:** Different exit strategies—selling to a third party, transferring to family, or selling to employees—have dramatically different tax implications. Proper planning can potentially save you hundreds of thousands in unnecessary taxes.

- **Integrate Business and Personal Estate Planning:** Your business is likely your largest asset. Comprehensive estate planning ensures it transfers according to your wishes, with minimal tax impact, whether to family members or external buyers.

- **Know What Drives Your Business's Value:** Understanding how buyers or successors will value your company lets you make strategic improvements now that could significantly increase your eventual sale price or successful transition.

By addressing these considerations early, you can ensure that the business you've built becomes a lasting asset for you and your family, rather than a source of stress and lost opportunity.

Strategy #5: Work with an Advisor Who Understands Business Owners

After years of trial and error, James realized he needed a financial professional who could coordinate his entire financial strategy—someone who understood the complexities of being both a business owner and an individual investor.

As your business grows, the interconnection between your personal and business finances

THE COST OF WAITING

Delaying or neglecting exit planning can cost you. Studies indicate business owners who don't plan properly can lose as much as **20-50%** of their potential value due to rushed sales.



becomes increasingly complex. Finding the right financial quarterback can make the difference between disjointed tactics and a cohesive strategy that maximizes your success.

Many business owners work with multiple professionals—a CPA for taxes, an attorney for legal matters, an insurance agent for protection, and perhaps a financial advisor for investments. But without coordination, these siloed approaches often create inefficiencies and missed opportunities.

Here's what to look for in a financial advisor to help manage the combination of your business and personal finances:

- **Seek Business Owner Experience:** The most valuable advisors for entrepreneurs often have firsthand experience as business owners themselves. This practical background helps them understand your challenges, speak your language, and provide relevant guidance grounded in reality, not just theory.
- **Value Coordination Skills:** Your ideal advisor should act as the quarterback of your financial team, ensuring your CPA, attorney, insurance professional, and investment manager are all working toward the same goals. This coordination eliminates contradictory strategies and identifies opportunities that might otherwise be missed.
- **Look for Business-Specific Expertise:** Unlike typical employees, business owners may struggle with entity structure, business valuation, exit planning, and tax optimization. An advisor with specialized knowledge in these areas can identify opportunities that generalists might miss.
- **Prioritize Relationship Over Transactions:** Your financial situation will evolve as your business grows and your personal goals change. Choose an advisor interested in building a long-term relationship who will adjust strategies as your situation changes rather than someone focused on product sales.



The right advisor becomes a trusted partner in your success, helping ensure that your business achievements translate into personal financial security and the lifestyle you envision for yourself and your family.

Take the Next Step: Build A Plan to Protect What You've Built

Like James, you've worked hard to build your business. Don't leave your financial future to chance.

We specialize in helping business owners like you develop comprehensive wealth management strategies that address all five essential pillars outlined in this guide:

1. **Financial Planning** - Creating a roadmap that aligns business and personal goals
2. **Tax Management** - Minimizing your tax burden through strategic planning
3. **Protection Planning** - Safeguarding your assets and income against potential risks
4. **Legacy Planning** - Ensuring smooth transitions and wealth transfers
5. **Asset Management** - Building and preserving wealth both inside and outside your business

When these five pillars work together in harmony, they create a foundation strong enough to support your business success today while securing your financial future for tomorrow.

Schedule Your Complimentary Business Owner Strategy Session

We understand the unique challenges you face because we work with business owners every day. We've spent years helping clients just like you tackle overwhelming tax bills, figure out exit strategies, and build wealth outside their businesses, which is why we've become specialists in what business owners really need.

During your no-obligation consultation, we'll:

- Review your current business structure and identify potential tax-saving opportunities
- Discuss your personal financial goals and how they align with your business objectives

- Identify potential gaps in your protection planning
- Explore strategies for building wealth outside your business
- Address any questions you have about business succession or exit planning

Don't wait until it's too late to start planning for your future. Contact us today to take the first step toward comprehensive wealth management that protects what you've built.

Discover holistic wealth management with heart

Harford Financial Group has been a trusted fixture in the Harford County community for over 40 years. What started as a vision to prioritize financial planning over product sales has evolved under current owner Adam Freeland, CFP®, RICP®, into a practice that truly embodies "expertise of heart and mind."

This philosophy means combining extensive expertise in retirement income planning for educators, business exit strategies, and federal benefits consulting with a genuine commitment to helping clients use their wealth to live meaningful lives. Our holistic approach recognizes that every aspect of your financial life is interconnected and carefully coordinated to serve a greater purpose: to create financial clarity and security that allows you to focus on what matters most.

Ready to discover how holistic wealth management with heart can help you live your best life?

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