# LET'S TALK MONEY®

July/August 2019

# Financing Your Small Business

When you first start a business or if you want to take it to the next level, finding money to fund your company and its operations can prove difficult. But where there is a will, there is a way. When banks aren't lining up to offer you credit with the lowest interest rates, alternative financing may help your business take its next step.

## Partner Up

If you are willing to give something in return for financing, you may find a variety of options. You might, for instance, take on a joint venture partner or angel investor, trading a percentage of your business for needed cash. These sources typically want to see at least a small track record before they invest.

Or you might consider casting a wider net for smaller but more numerous amounts in return for, perhaps, a product or service. You might tap a crowd-funding site for small individual donations in return for future restaurant meals or product discounts. Or if you have the receivables to quickly pay a higher-interest loan in full, an online lender might be an option.

## Use Leverage

If your company has predictable sales, you could use factoring to find the money your business needs. Factoring companies typically buy future accounts receivable at a discount. In return, they provide funds in days instead of the months it can take to receive money owed by your customers. Your business could also lease back equipment it owns to secure cash and lease new equipment instead of buying to free up money.

As a last resort, you may tap your personal cash sources. While they aren't ideal options, personal loans and credit cards can provide the short-term money your business needs. Be sure, though, that you don't help your business at the expense of your personal creditworthiness.

## Remember Protection

As you explore ways to raise cash for your company, don't forget to protect your ability to pay back that cash. Depending on your business structure, you may be able to use tax-advantaged dollars to provide you and any employees with health, disability income and life insurance, while even offering a qualified retirement plan. Your financial professional can show you how.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Small Business Version

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# Take Charge!

While women have made gains in the workforce and on the financial front, they still have a way to go for full equality on both fronts. Women can overcome these challenges by taking charge and considering these steps:

Stay connected to maintain career options

Get insured to protect financial contributions to families

Put more money away to make up for career breaks and longer lives

Keep learning and negotiating as a way to reach pay equality

Review finances at least annually and adjust when life changes

# Closing the Gap: Women and Personal Finance

Studies show, on average, women earn less, have smaller retirement account balances and live longer than men. There is a temptation to talk about women's financial challenges rather than their solutions. But the reality is that a need is a need, regardless of gender, and women can better meet their financial needs when they understand their options.

## Career Advancement

The U.S. Bureau of Labor Statistics found that 42% of women in the labor force held a Bachelor's degree or higher in 2016, up from 11% in 1970. Having a college degree is a prerequisite for many jobs today — and women are clearly taking up this challenge. They can build on this with continuing education to help them advance in their careers.

Education and training matter for two reasons. One, women may take time off to start and raise a family, putting their career progression on hold. Two, any person taking a career timeout may see an adverse effect on how much they save for future goals. Less money earned is less money saved.

How do you meet these unique challenges? Continue to learn, either through formal or industry education, to increase your marketability. Online courses in both areas are now the norm rather than the exception, making it easier to continue your education while taking a career break. When returning to work, insist on equitable pay. While women are making gains, they still earn just under 82% of what men earn. In times of full employment, you have options if your current employer undervalues your contributions.

## Financial Catch-Up

The second part of meeting your unique financial challenges is to make up for lost time, financially speaking. The cold reality of money is that women may save less than men for long-term goals. You can overcome financial time-outs by planning for them both before and after the fact.

Take saving for retirement: The earlier you save, the more opportunity there is for time and compounding to potentially help your savings grow. If you know a career timeout is in your future, double up on your retirement contributions before your break, while finding ways to maintain a disciplined approach once resuming your career.

## Get Help

If you aren't sure how to overcome these financial challenges, a financial professional may help you sort out your options. Understand your challenges, however unique they may be, and consider the steps you can take to conquer them. Take the emotion out of your decision-making and empower yourself to take the necessary steps toward a more secure financial future.

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# When Disaster Strikes

Summer's here and damaging water and wind may soon follow. While you can't stop Mother Nature, you can take steps to limit the financial impact of a hurricane, tornado or flood.

### Practical Steps

If you live in a rainy area, it is crucial to make sure gutters and storm drains are clear of debris. Keep valuables and important papers on high ground and raise furnaces and water heaters to help prevent water damage if you live in a flood-prone area. Storm shutters may help prevent some damage if a windstorm strikes. Identify a safe room or area, should you have to shelter in place during a natural disaster.

### Get Insured

Owning homeowners or renters insurance may help protect you financially from a variety of perils, but it won't cover flood damage. If you live in an area that may flood, look into the National Flood Insurance Program to make sure you are at least partially protected.

Your property insurance also won't cover earthquake damage. For that, you'll need specialized coverage. Your policy may include coverage for tornado or hurricane wind damage, but it may have a separate and higher deductible than the rest of your homeowners coverage. To learn whether you're covered or not, talk to an insurance professional.

# Leaving the Nest

When young adults leave the nest, they will confront a number of financial challenges for the first time in their lives, but there are some things they can do to ensure a successful experience.

- Practice good debt management. Credit cards are not free money, and balances for young adults often come with high interest rates. Paying any balance in full each month will keep the interest charges at bay.
- Start a regular savings regimen with the funds saved by not paying interest on credit card balances and build on it to develop good financial habits early in life.
- Use protection: Insure a first residence and belongings against a loss due to fire, theft and other perils.

# When Good Luck is Taxed

**You just won money in bingo, a state lottery or a casino and the first thing you're thinking about is how your windfall will be taxed. Okay, maybe that's not the first thing, but you should know how your winnings are taxed because underpaying them could cost you.**

### A Taxing Situation

When you have gambling winnings, the government becomes a financial partner of sorts. You may receive Form W-2G if your winnings exceed a certain figure, but you'll need to report the smallest amounts, even from a church raffle.

If you itemize on your tax return, you may deduct gambling losses up to the amount of your winnings. You should also keep a record of winnings and losses, including dates, names and locations of where you won or lost, in case you need to back up your tax return numbers. Professional gamblers have different rules.

To learn more about your own tax circumstances, talk to a qualified tax professional.

# Benefits to Attract Qualified Employees

The job market is competitive and qualified candidates are becoming harder to find. In this environment, total compensation, including employee benefits your prospects want and need, may play a large role in their decision to choose you or a competitor.

As an employer, you may subsidize these benefits or simply provide them and let employees pay for them through payroll deductions. Even the latter approach may be less expensive than if your employees bought insurance outside the workplace. There are two basic ways to structure your benefit expenditure: menu-based and dollar-based.

## Benefits by Menu

When you offer a menu of core benefits — health insurance, a qualified retirement plan and life insurance — and additional perquisites that could include a Health Savings Account and pet insurance, you offer basically the same benefits to everyone. This has been the traditional model of employee benefit offerings, but it may not work best for employers with a diverse workforce.

## Benefits by the Dollar

When employers have the ability to offer a set dollar amount for the benefits they will subsidize, they provide more flexible benefits for diverse employees. For example, a married 55-year-old employee may value long-term care insurance while a single Millennial may be better served with disability income insurance. One employee may value a student loan repayment benefit, while another believes dental and vision insurance are essential.

## The Right Package

One size won't fit all, but you can find your fit with a little preparation. List your benefits and their cost, but don't forget to include any tax advantages your business may get. Do a little research and learn what peer companies offer their employees. Then, survey your employees and ask which benefits they value from most to least. Also ask if there are benefits not available to them that they would like to see offered.

Once you understand your employees' wants and needs, work with your insurance professional to put together a benefits package that works for you and your business.


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Financial Industry Regulatory Authority

**ADVERTISING REGULATION DEPARTMENT REVIEW LETTER**

March 11, 2019

Reference: **FR2019-0212-0076/E**

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The communication submitted appears consistent with applicable standards.

Reviewed by,

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Principal Analyst

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