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Advising the entrepreneur/business owner

A large number of the clients that we advise are entrepreneurs and business owners. Their companies are in various sectors, of various size and at different places in their growth cycles; from earlier stage businesses that are beginning to make profits to established SME's and those that have reached their goal and sold, or passed the business down the generations.

Business owners by definition are busy people, understandably most of their time and energy is spent on one thing – driving the business forward. As an adviser our job is to understand the individual, the business and the objectives for both – in the short, medium and long term. To then put a flexible plan in place to work towards achieving those goals and to regularly review those plans, amending and developing where necessary.

Everyone's objectives will be different; hence no two plans will be the same. More often than not things change in business as time goes on so plans can alter significantly and regularly – as companies move develop and grow their planning needs also change and evolve.

A young business that is beginning to make some profits

The initial objectives may simply be to extract profit as tax efficiently as possible and begin to pay down debt (mortgages, other debts etc). At this stage discussions would be around how best to take an income, obtaining the best personal mortgage rates, building up cash savings and maybe some investments (firstly using ISA allowances) but also looking at personal life cover and business protection. Starting a pension should be on the agenda, even if minimal is paid in at this stage but with an eye to the future. These are the short term plans, but discussions should also be taking place about what is on the horizon, over the next few years and longer – for the business and the individual. This is where consideration needs to be given to putting in place a strong team of advisers – financial, accountancy and legal.

A high growth business

Building cash on balance sheet is excellent but if this isn't for working capital or earmarked for capital/staff costs thought should to be given on how to extract this as tax efficiently as possible. The combination of salary, dividend and pension contributions need to be considered in the context of the individual's requirements and taxation. Paying down debt and building more substantial investments outside of and not dependant on the business provides a liberating safety net and diversification of risk for the individual. There may be an element of corporate advice required – for example auto-enrolment requirements and other staff benefits. Longer term planning now becomes a consideration – this could be in terms of exit planning or further growth.

More established businesses/SMEs

With more established businesses more corporate planning is required – staff benefits (pensions, Death in Service Cover, Private Medical). For the shareholders and senior staff consideration turns to key-man cover, director share protection and perhaps more bespoke pension planning - even using pension to

purchase business premises etc. The ongoing building of a personal portfolio not linked to the business should be well established and continue. At this stage some form of planning may be underway in terms of the longer term future of the business. This could be in the form of a sale (externally or from within), it could be a family business where thought is being given to bring through the next generation or perhaps the goal is to expand further and more investment is needed for continued growth.

Coming up to and post-sale

The concern will be what is the "magic number" the owner requires in order to step away from the business they have grown. How much do they need to retire comfortably – or perhaps they want to move onto the next project and want to put some capital away but then fund the new venture. If retirement is the plan their sale proceeds need to be structured in a tax efficient manner and provide them a regular sustainable income to replace their previous earnings, whilst also giving them the capital for any capital expenditures – that they may have been putting off! At this stage inheritance tax may become an issue and planning needs to be put in place to protect future generations.

These are just four very broad and generic stages of a business, and a few words about the key issues that are faced and require detailed thought and planning. Over the next few blogs I will be looking at expanding on these in more detail, looking closely and more specifically at issues faced and using case studies of real examples.

What it is important to remember is that at every stage of a business that business and the individual(s) than run/own it would benefit from a quality adviser that they trust and can help them where they need it. By building a quality team of advisers around them a successful entrepreneur/business owner has the ability to fully focus on what they are best at, which is running their business.

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