

**The Top Five ... Mistakes Frequently Made By Business Owners**

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The start of a new year is typically a period that calls for reflection. The hectic holiday period is over and the employees are back to work on a regular schedule. It's a time when business owners can take a few moments to think about their personal financial goals and determine any outages they may have in their current business practices.

One of the things I've realized is, business owners tend to make the same mistakes. I've had my own firm for almost thirty years and have advised hundreds of business owners how their businesses inter-relate to their personal financial goals. I want to share what I've learned over the years, in terms of the five biggest mistakes business owners make, with a few ideas on how to fix them. They are:

**1. Not maximizing retirement plans**

Retirement plans have many benefits, but it's surprising just how many business owners don't take full advantage of this benefit. For one thing, retirement plans are easy to create and the federal government allows both high contribution limits for both the owner and employees to save large amounts for their retirement years. The so-called "catch-up" rules also allow those over age 50 to save even more money for retirement. Even further, profit sharing and defined benefit plans may provide significant additional savings. There's a myriad more info to share regarding how to maximize retirement plans including the appropriate use of Roth vs. pre-tax contributions. Appropriately structured retirement plans can also be a great recruiting tool for growing and retaining your employees so be sure you are doing all that you can to create, and maximize your retirement plan offerings within your company.

**2. Over-estimating the value of their business**

This is an easy mistake that business owners often make and can be a costly one. Be very careful when you are figuring out the value of your company – especially when you are counting heavily on the proceeds of the sale of your business to help fund your retirement years. A key element of this is a solid estimate of how much tax you'll owe on the sale of your business. This is truly a case of "don't put all your eggs in one basket." Diversify your retirement assets and do not solely count on your business value providing the vast majority of your needed retirement cash flow.

**3. Failure of developing an exit strategy plan for their business**

We've all heard the adage of "failing to plan is the same as planning to fail." This is definitely one area where not having a plan on how to transition your business in the event of a sale, catastrophic accident, illness or death, will guarantee rough seas ahead for your business. An

exit plan is a plan for the single most critically important financial event of your life – the transition out of your business on your terms. If you don't have an exit plan, please stop reading right now and shoot your financial advisor an immediate email to set up an appointment to chat. Seriously.

**4. Not having a Buy-Sell Agreement in place**

Integral for an appropriate exit strategy is a buy-sell agreement that will outline what happens when uncontrollable events occur like death, disability, or an involuntary transfer of ownership by one of your partners. Additionally, having the right valuation formula or approach is an element of a good buy-sell agreement.

**5. Failure to “incentivize” key leaders in the business**

While you may have been able to get your business off and running, having the right leaders and employees is critical to the lasting success of your business and to ultimately maximize its value. Incentives are an important part of your business. Whether you have incentives for your customers and clients, or your key management and employees, they are a valuable tool in growing relationships and results. They are a powerful motivator to increase performance in both your workforce and your clientele. Everyone likes to receive incentives, and your senior leadership team is no exception. Whether it's developing an annual incentive or a deferred compensation package, don't forget to give this line item some thought. You don't want a large number of goals. In fact, you want to keep the number minimal to ensure the appropriate focus on what the strategic objectives are for your business. Aligning goals and incentives/compensation can be very difficult given the emotional nature of an individual's compensation. Give this some serious thought – you'll be glad you did.

These items can be daunting to think about as you try to focus on growing your business, serving your clients or customers, and developing great leaders in your organization, but this is a case where you can lean on your business advisors to help you sort through all of these details. Hopefully you have a team of professionals to help you prioritize the above items based on what's right for your business, now and in the future. And, of course, The Goering Center always stands ready to help, wherever and however they can. Here's to a prosperous 2016 and beyond!

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