

Planning for *Your* Retirement

Unlike corporate executives who wait until they are a certain age to retire, business owners can retire according to their own schedule.

They do not have to wait for a mandatory retirement date when their colleagues will recognize and reward their career accomplishments with a gold watch at a farewell dinner. In fact, many business owners choose not to retire at all. They enjoy working in their businesses and have no desire to do anything else. And still other business owners constantly strive toward the elusive dream of retirement.

Retirement is not an accessible goal for business owners who have concentrated most of their wealth in their business. Without a properly designed and executed exit plan, retirement is not feasible. When the business is their largest asset, they need to decide if they are going to sell, liquidate or retain that asset at retirement.

As a business owner, if you decide that selling your business is the wisest economic decision, how will you do this profitably? This decision should be made two to three years before you plan to retire. It's difficult to predict the best time to sell a business to bring in the largest profit. Homebuilders, for example, are rather vulnerable to the prevailing market for new home. They can easily hit "pay dirt" at the time they wish to sell their business; or, they may need to wait to till the cycle reverses in order to realize a meaningful sale price. That's why it's so important for owners to diversify their wealth in resources outside of the business, such as real estate, securities and other financial investments. Owning the building where you conduct your business, for example, is an excellent retirement vehicle for future rental income or as an asset that can be sold with the business.

If you are going to retain your business and assume the role of a passive owner, you must do succession planning. Who will run the business if you retire from day-to-day operations? Can you have a profitable entity if you are not behind the helm?

To ensure a smooth transition, finding, retaining and grooming management should begin three to five years before retirement.

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If liquidation is the best alternative, however, you must ensure there are adequate outside resources to enable you to retire. Most business owners take care of their vendors, employees and customers before they think about their own finances. They are so focused on daily business concerns that they don't take the time to plan for their own retirement. Retirement planning should start early so business owners are not forced to sell or liquidate because they have no alternatives.

Some business owners get blind-sided by a sudden illness that forces them to retire immediately. For example, a 51-year-old client with no previous medical problems suffered a massive heart attack. To his misfortune, he was not prepared for retirement. His wealth was not diversified, his business was in upheaval and he was not emotionally ready to handle the sudden turn of events.

How do you know if you're ready for retirement? Some business owners suffer from temporary burn-out and want out as soon as possible. But few owners realize how closely entwined they are with their business. A simple role-playing exercise can help determine your retirement readiness. Simply think about having no involvement with your business for 30 days. You can't go to the office, talk about business or even think about it. How are you going to fill your time?

Unfortunately, most business owners have not taken the time to develop hobbies and outside interests. A client recently sold his 35-year-old business for a great deal of money. He soon realized that he had no idea what he was going to do with the rest of his life and he became severely depressed. It's critical for business owners to have a life plan before they retire. It's a fact that most men who grow a business from the ground up will die prematurely after retiring if they have no life plan. This is no coincidence. Retirement can only be successful and fulfilling if the retiree has a reason to wake up each morning.

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