

Business owners have experienced a well-publicized meltdown in traditional financing. Now they want to know how they can prevent themselves from being vulnerable again.

Become Your Own Bank

What if you set a goal today to accumulate money on your own? Shore up reserves for use in emergencies in your business, or for business opportunities, investments and personal retirement. You take care of your employees, your vendors and your customers. What if you think about taking care of yourself? Traditional savings vehicles are not as attractive as they were in the past. Many companies have eliminated pension plans. Those companies that haven't are finding that, in many cases, the owner can't put a substantial amount away for himself. Today's business owner wants to accumulate money for the future's "what ifs" without depending on outside financing sources.

Set up a SIP

The solution is a supplemental income plan, or SIP. If properly designed, a SIP accomplishes several things. The growth is tax-deferred. If accessed correctly, the gain is tax-free. There are no contribution rules and no required distributions. Moreover, there is a pre-retirement survivor benefit paid to the family in case of the death of the business owner, also tax-free. With the cash flow rigors of owning your business, putting money aside gets more difficult every day. Traditional methods no longer work or are no longer attractive. Safety is a greater concern now than in the past. Business owners want to control their own financial destinies without depending on credit lines, business loans and outside financing. What if, going forward, you finance your own business purchases? Every cent you pay in financing costs is lost forever. Eliminate these costs in the future and use your SIP for purchases, investments, opportunities and emergencies. The savings on financing goes back into your pocket. This is perhaps the best recession-era lesson for business owners to absorb today and to never forget in the future. Do not rely heavily on outside funding in the form of loans, vendor financing or even business credit cards.

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Do It for You

Right now, business owners must take care of themselves because no one else is going to do this for them. Business owners routinely admit to me that they are tired of lying awake at night, staring at the bedroom ceiling and worrying about cash flow. A supplemental retirement plan is simple. It does not involve any administration or fees. There is no ERISA or IRS involvement. Where is the best place to invest as you bulk up your SIP? In the past, you had two choices. You had market-driven vehicles that we now realize can be a roller coaster ride or safe vehicles that yielded small or no returns. Here is a new option for you and your professional financial advisor to consider. Life insurance—a product that has been around for more than 200 years—may present the flexibility, growth, and tax advantages you seek.

Not Grandpa's Insurance

This isn't the traditional life insurance of the past, the kind without cash for the first several years due to commissions and loans. There is new type of life policy that a few select companies created for consumers. The cash value grows on a tax-deferred basis and typically equals most or all the premium even in the first policy year. When the business owner wants to retire, they decide when. They also decide if they want a lump-sum payment or yearly distributions. If done right—through loans and distributions—the proceeds can all be tax-free. In addition, because life insurance is involved, there is a tax-free death benefit for the family in the event that the business owner dies before retirement. The policy owner can access funds in a matter of days, as often as desired and for any reason. In my opinion, the best part of these new policies is they ensure that the business owner is almost entirely liquid from day one. So, let us recap. Take care of yourself starting today; do not depend on outside financing methods to be there for you now or in the future. You can become the best, simplest and cheapest form of financing available.

Helping business owners protect, preserve and pursue more value from their business, more tax efficiently!®

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