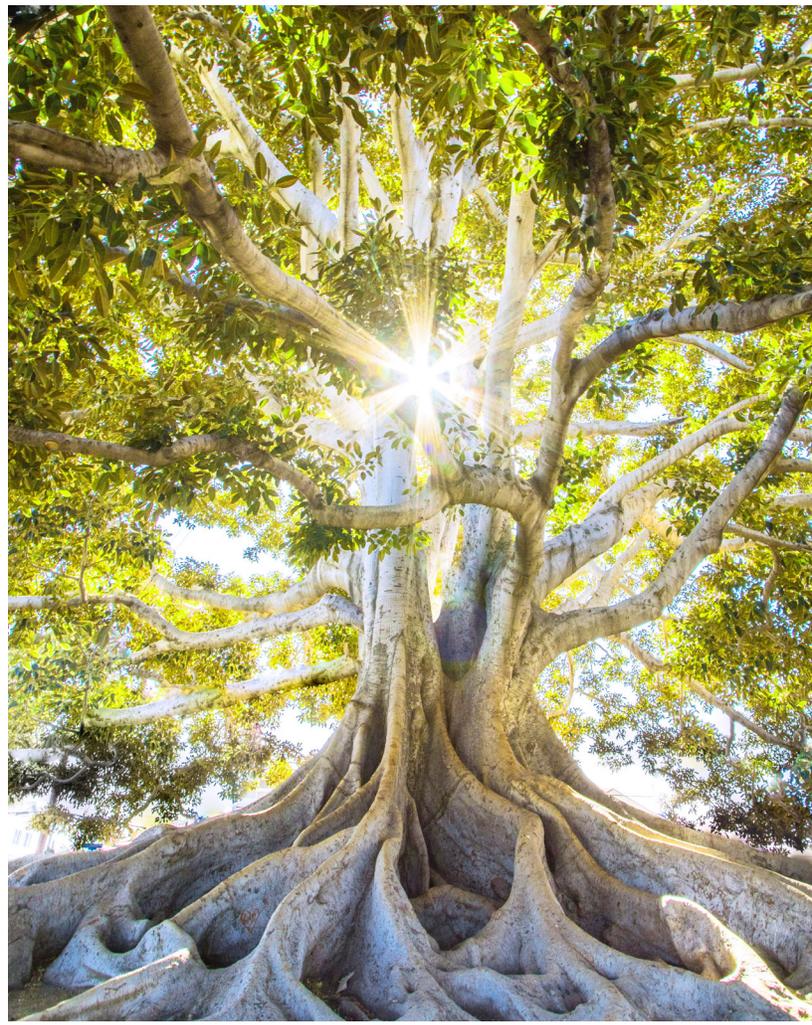

Creative Capital Management Investments

LIFE CYCLE OF A BUSINESS OWNER

Practical tips as you take your business from seed to maturity



Introduction

As a business owner, your needs, objectives, and financial responsibilities will change depending on your company's growth and long-term strategic direction. Whether your business is simply a concept at this point or nearing its maturity, there are varying personal, professional, and financial planning factors you should consider at every

stage of business ownership. Through years of firsthand experience and the collection of research and best practices, we've developed the following guide to understanding a business owner's life cycle. We hope you will refer back to this tool for lasting tactics that will help position you and your business for sustained success.

The six stages of business ownership



1 Seed Stage



2 Seed to Seedling



3 Start-Up



4 Established / Growing



5 Expansion



6 Maturity



1 Seed Stage

Business Considerations

- The business is just a thought or an idea.

Personal Financial Planning Considerations

- Make sure your credit rating is in good shape.
- Make sure spouse or significant other is fine with potential of no income from the business initially.
- Evaluate how much risk you can take at your age.
- Pay off consumer debt and credit cards.

...Continued

- Clean up your personal balance sheet before doing any cash flow planning or asking for a business loan.

HOW CCMI CAN HELP



- 1. Consider obtaining a home equity line of credit while both spouses are working.**
- 2. Determine how lack of potential income could impact household cash flow, college funding, retirement funding, and tax planning.**
- 3. Determine adjustments needed to tax withholdings as a result of starting a business.**



2 Seed to Seedling

Business Considerations

- Complete your business plan.
- Review business cash flow for next 12 months, two years, and three years.
- Complete cash flow projections prior to selecting financing through a bank, crowdfunding, family, friends, SBA, etc.
- Interview professional advisors: CPA, business attorney, business insurance agent.
- Set up an accounting and recordkeeping system that is appropriate for your business.
- Choose the proper business / legal entity for your business, corporation (C or S), LLC, or partnership.

- Obtain sufficient financing to cover anticipated expenses without any revenue for a minimum of 12 months, if not longer. It is easier to obtain the proper loan amount at the outset of your business than ask for more money later.

Personal Financial Planning Considerations

- Encourage spouse or life partner to continue generating earned income to the household while the business takes life.
- Find sources of funding for business and set up guardrails to avoid depleting existing assets.
- Set up a proper business entity to protect existing assets.



2 Seed to Seedling

...Continued

- Set up buy / sell agreements to address any business partners and fund them.
- Consider reducing personal expenses if necessary while business starts to grow.
- Make sure personal risk management program is sufficient – life insurance and disability protection for spouses generating income to the household.

HOW CCMI CAN HELP



1. **Provide resources to assist you in completing your business plan.**
2. **Determine how to effectively use cash flow to the household to accomplish goals.**
3. **Determine a reasonable amount of disability insurance for your working spouse if loss of earnings would be financial catastrophe for the family.**
4. **Determine reasonable amount of life insurance for both spouses, and if there is sufficient cash flow to pay for important coverages.**
5. **Determine if working spouse's tax withholdings should change.**
6. **Connect you with other advisors like CPAs and attorneys, as needed.**



3 Start-Up

Business Considerations

- Review cash flow projections versus actual each week.
- Understand how to read monthly financial statements. Implement financial controls to safeguard against employee embezzlement and ensure financial statements correctly reflect what is going on in the business.
- Revisit the marketing plan and modify as needed.
- Hire the right kind of employees whose skill sets complement yours or fill in for a weakness you have.
- Sign business agreements, e.g., shareholder's agreement, LLC managing agreement, etc.
- Make sure buy / sell agreements are funded with insurance in the event of death so the business isn't drained of operating capital.

Personal Financial Planning Considerations

- Do tax planning mid-year and in the third quarter.
- If there are profits beyond expenses, start taking a modest salary; this is when tax planning becomes more important.
- With cash flow, consider tax saving strategies for deferring income.



3 Start-Up

HOW CCMI CAN HELP



- 1. Help you set up an advisory council to support you in the early stages of your business.**
- 2. Determine how to effectively use your increasing cash flow to accomplish your goals.**
- 3. Provide cash flow planning.**
- 4. Provide retirement funding advice.**
- 5. Continued evaluation of the right amount of life and disability insurance.**
- 6. Determine allocation of investments outside the business.**

Four Reasons To Hire An Advisor

- 1.** Your time is too valuable and could be better spent doing something else.
- 2.** Financial planning and investment strategy don't excite you. You want to focus your energy on what inspires you.
- 3.** This isn't your area of expertise. You value quality work, backed by industry knowledge and experience.
- 4.** You know you should entrust these decisions to someone who will remain disciplined, no matter the headlines or market swings.



4 Established / Growing

Business Considerations

- Review cash flow projections versus actual each week.
- Consider setting up a formal board of directors.
- Hire out what you can't do or don't have the skill set to address.
- Establish operational backup plans in event of natural disaster, product problem, disability, or death of owners.
- Increase salaries of owners who are operational in the business.
- Complete business tax planning annually.
- Obtain disability coverage on key employees.
- Consider having business pay for long-term care.
- Have a feasibility study done to see what kind / format of retirement plan works best for business / number of employees; implement best plan and try to fund to the maximum amount allowed.
- Think about an exit strategy now.
- Make sure the business hasn't out-grown current employees / executives.
- If needed, hire professional managers; consider incentive plans and supplemental executive retirement plans.



4 Established / Growing

...Continued

- Analyze whether it makes sense to buy a commercial building in which to operate the business.
- Review corporate leases for equipment, office space.

Personal Financial Planning Considerations

- Complete a personal financial planning / survivor's needs analysis now that you are earning a steady salary – look at estate planning, disability coverage, long-term care insurance, and college funding planning; do a personal risk

management review and financial independence analysis to find out how much is enough for longer term goals; once that is known, you can manage toward that goal / exit strategy.

- Meet with your investment advisor at least annually, review quarterly reports, and market updates from your investment advisory firm.
- Meet with your investment advisor at least annually and review quarterly reports and market updates from your investment advisory firm.
- With excess cash from distributions or higher salary, diversify away from the business; do not plow capital back into it without considering diversifying your balance sheet.



4 Established / Growing

HOW CCMI CAN HELP



- 1. Provide a survivor's needs analysis and estate planning, determine insurance needs, and provide a financial independence analysis.**
- 2. Manage excess cash flow and retirement assets through a diversified portfolio.**
- 3. Begin discussion on exit planning including timeframe and strategies that may meet your needs.**

Is Your Advisor A Fiduciary?

A fiduciary is on your side. It's that simple. Fiduciaries are ethically and legally bound to work in your best interest, sharing advice and resources that can help you work toward your financial goals, rather than focusing on commissions or their own interests.

A trusted fiduciary works for you and is committed to your goals.



5 Expansion

Business Considerations

- Revisit business plan and business cash flow projections.
- Does your salary need to be temporarily reduced to fund any expansion efforts?
- Search best source of funds if needed for expansion.
- Does another partner need to be brought in for expansion? Get a new agreement to memorialize the points you discussed.
- Check underwriting for shareholders' agreement.
- Conduct a risk management review.
- Continue tax planning.

Personal Financial Planning Considerations

- Continue with all steps from previous stages.
- Check your credit rating.
- Check your personal liability coverage for new products or any potential liability resulting from a new enterprise.
- Complete a risk management review.
- Continue tax planning.

HOW CCMi CAN HELP



- 1. Complete a risk management review.**
- 2. Facilitate family meetings.**
- 3. Evaluate sale price needed from the business to become financially independent.**



6 Maturity

Business Considerations

- Expansion and growth slow down a bit; your presence isn't needed as much to make the business "work."
- Start evaluating exit strategies in view of the skill set of the executive team.
- Revisit operations to make sure each process is memorialized and updated to reflect how each part of the business runs.
- Consider hiring someone to get the business to the next level and be able to "make the numbers" needed to attract outside buyers.
- Gradually ease out of the business so you can practice "retirement."
- Start a succession plan and write down steps and completion dates.
- Have tax planning done for yourself and the entity, and study tax ramifications that would result from each kind of succession plan, e.g., sale of assets, sale of stock, etc.
- Create incentive plans for key employees and liquidity purposes.
- Make sure business agreements reflect the succession plan and are current.
- Consider establishing contact with entrepreneurs who have successfully exited their enterprises for guidance and coaching.
- Interview a variety of M&A firms if you are contemplating a sale to an outside buyer.



6 Maturity

Personal Financial Planning Considerations

- Start evaluating exit strategies in view of your financial needs.
 - Have a financial independence review done. How much is enough to exit and do what you want to do?
 - Determine what type of management and ownership succession plan(s) will work, based on your personal financial needs.
 - Have tax planning done for yourself and the entity and study tax ramifications that would result from each kind of succession plan, e.g., sale of assets, sale of stock, etc.
 - Review estate plan.
- Consider valuation of business for estate planning.
 - Develop hobbies to have something to move toward as you move out of your enterprise.

HOW CCMI CAN HELP



- 1. Help to determine obtainable retirement goals.**
- 2. Guide your succession planning.**
- 3. Consult on business continuing planning.**
- 4. Provide an analysis of liquidity events.**
- 5. Review estate plan in light of overall goals.**



6 Maturity

CONTINUED



6. Complete a financial independence review.
7. Determine an adequate amount of life insurance.
8. Perform a cash flow analysis to confirm you have enough to meet your retirement goals.
9. Provide resources for new retirees
10. Manage assets during retirement.
11. Consider advanced planning techniques of gifting portions of the business to family members (IDGTs, GRAT/GRUT, self-cancelling installment notes, private annuities).
12. Consider advanced planning techniques for lowering tax upon sale of business (charitable trusts - CRUT/CRAT/CLAT/CLUT).
13. Consider other ways to protect hard-earned assets from future liabilities.
14. Evaluate tax efficient withdrawal strategies from assets once you are no longer receiving income.



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