

Is Your Business Keeping You Up At Night?

What you can do to sleep more soundly

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When it comes to American business, often it's the largest companies that garner the most attention. It's no wonder that many people think these corporate giants are the most important enterprises in our economy. But of the estimated 29.6 million businesses in the U.S. today, the vast majority – more than 98 percent – actually has fewer than 100 employees.¹

Are these companies operating in the shadows of their larger brethren, or do small businesses carry their own weight? Consider the facts.

America's unsung heroes

According to the most recent U.S. Department of Commerce and Bureau of Census data, small businesses employ just over half of all private sector employees; they pay 44 percent of total U.S. private payroll; they've generated 64 percent of net new jobs over the past 15 years; they create more than half of this country's nonfarm private gross domestic product (GDP); and they produce 13 times more patents per employee than larger firms.²

The fact is the United States depends on the health and ingenuity of these small businesses for its overall economic growth.

But as small business owners breathe new life into our economy, a number of issues keep them up at night – namely, how to keep their operations secure and growing even in the face of the ever-changing pressures. Among their concerns are how best to:

1. Attract, retain and incent top quality talent
2. Mitigate and manage risk
3. Create a solid succession strategy, and
4. Meet their business obligations without sacrificing their personal financial security needs.

Finding and keeping employees

While the struggle to acquire top talent is certainly not a new challenge for small businesses, the ever-increasing competitive landscape is making the “talent factor” a defining point in a company's ability to grow. That's because the success within each stage of a business' development depends on the experience, knowledge and skill of its employees – in other words, its human capital.

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Offering a benefits package tailored to the business can help attract, retain and incent those key people.

Group health is the insurance plan most employees request – it's also one of the most costly. However, it's possible to customize a plan to fit both the needs of your employees as well as your company's budget. For example, many small employers offer a plan that requires some level of cost-sharing, allowing them to provide health coverage while retaining some control over costs.

Life, disability and long-term care insurance programs are becoming more prevalent among small businesses. They can be provided by the employer or offered via payroll deduction, which enables you to build goodwill among employees without incurring the cost of an expensive benefit program.

Of course, one of the other most requested benefits is an **employer-sponsored retirement plan** – it's also one of the most beneficial in terms of employee retention. By providing a way for employees to save for their own future, a qualified retirement plan may also increase the chances they will make a long-term commitment to the business.

Protecting what you've built

For most business owners, the business itself is often their greatest asset. If something happened to you or your key employees, how would your business continue to operate? Without proper planning and protection, the disability or death of an owner or key employee could seriously cripple the business you've worked so hard to build.

Overhead expense coverage can provide the benefits you need to meet business expenses such as rent, payroll, utilities, taxes and maintenance costs in the event you become disabled.

Similarly, **key person insurance** can help your company weather the disability or death of a key employee. It can provide the funds you need to pay debts and provide working capital while a suitable replacement is recruited and trained. In many cases, key person insurance may be required as collateral for a business loan.

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Finally, **property and casualty insurance** can pay benefits to repair or replace buildings, equipment and data damaged or destroyed in a natural disaster; while **liability insurance** can provide resources to satisfy personal injury or property claims.

Passing the torch

All owners leave their businesses one day. You have the best selection of options for creating an exit strategy if you get started before that day arrives. The creation of a thoughtfully prepared and properly funded business continuation plan is a crucial part of the process – one that:

- Sets clearly defined goals for the owners and their families,
- Establishes a fair market value for the business,
- Formalizes a written buy-sell agreement, and
- Maintains adequate life and disability insurance to fund the agreement in the event of an owner's retirement, death or disability.

Business and professional needs are intertwined

For small business owners, business and personal financial security is often interrelated. With so much of your worth tied up in your company, it's doubly important to have a plan that takes into account all of your financial security needs.

That's where an integrated approach to your business and personal concerns can help you sleep more soundly by addressing key questions, such as:

- When my kids are ready for college, will I be ready financially?
- When I decide to retire, will I have the resources to afford the lifestyle I want?
- How can my business fund my retirement?
- If I become sick or injured and can't work, what will happen to my business? To my family?
- If I die, will my family be protected financially?

The value of a trusted professional

It can be difficult to know if you've done enough to ensure a secure financial future. The expression "it's lonely at the top" is often very true for small business owners. A trusted financial representative can help.

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The key is to work with someone who understands what it takes to run a successful business and that has access to a team of specialists with expertise in risk management, employee benefits and business succession planning.

Working with you and your other advisors, he or she can coordinate a team approach resulting in a thorough understanding of where you are today and a strategy to help get you where you want to be in the future.

^{1,2} SBA Office of Advocacy, *Frequently Asked Questions*, Updated September 2009

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Article prepared by Northwestern Mutual with the cooperation of Tony Jelso.

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