

Connecting Your Business and Your Personal Goals with a Plan

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Most successful business owners have a plan for their business and quite often they have a mission statement. Mission statements usually define a business' core values, its purpose and vision for how employees and customers should be treated. In many cases this statement is a guide for employees and spells out expectations as to how they should perform their duties as well. Future goals are often expressed so that employees and customers know how the business hopes to grow and develop over time. The mission statement and the business plan help drive the direction of the business moving forward.

However, we often find that while owners have a vision for their business, in many cases, they lack planning that ties their business to their personal financial goals. We have interviewed many Vacation Rental Management (VRM) owners and a common theme we hear is that they are so focused on running the business, such as making sure the rooms are cleaned, repairs are taking place and that the amenities are in order, that personal investment planning is neglected. Therefore there isn't a plan in place that helps them understand how to one day unwind their business ownership when all of their personal goals are met.

A personal investment plan starts with a conversation to understand you, your situation and what is important to you. How much monthly income will you need in retirement to live the life you want to live? Are there children or grandchildren you want to benefit from your success and if so, how is the best way to structure? Many businesses are tremendous supporters of their communities. If it is important for this legacy to continue, have plans been made? If selling to a third party, are there key employees you would like to protect or benefit from the sale? If transitioning to a family member or key employee, when should the process start?

All of these questions and more can be addressed with planning. In many cases, the best strategies take years to implement. The earlier that goals are identified, the better the odds that strategic moves can be made to accomplish these goals.

One of the most important areas of personal planning is understanding future retirement income needs. At the end of your career, you are going to want to maintain the lifestyle you have been accustomed to or even increase spending with extra time for travel and fun. Having a clear understanding of the income goal can help you identify how much you will need from the sale of your business. Industry experts tell us that many sales may be missed because owners don't understand what the other side of a sale will look like. They aren't sure what their needs will be or how much income can be safely produced from

the proceeds of an offer. This fear of the unknown can cause paralysis, and if at the top of a business cycle, might cause them to miss the best offer they could hope to receive.

Understanding retirement cash flow goals can help you identify what areas of the business you might not want to sell. For example, if the business owns income producing property, you might want to negotiate keeping it and letting the new owners pay rent if that helps you meet your income needs. Knowledge is power and the more you understand what it will take to meet your goals, the better position you will be in to negotiate.

Lastly, identifying your goals can be a motivator to make adjustments so the business is more attractive to prospective buyers. It can be the difference between running a business that the owner “lives out of” versus running a business that is managed for the eventual sale. In other words, managing your business in a way that should increase the multiple you receive when your business is sold. A higher multiple could be a game changer during the golden years!

It all boils down to having a plan that ties your business ownership to your personal goals. When you identify what you want to achieve and create a written plan that can be adjusted along the way, it only makes sense that your odds of achieving your goals could increase. You worked too hard not to plan for your future!

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