

ENTREPRENEURS – CASE STUDY

Kevin is self-employed and has been for 15 years. He owns multiple businesses that each demand a lot of his time. He has done a good job of keeping his books and records up to date but has not taken advantage of many financial planning tools available to him as a business owner. He feels he pays a lot in taxes and is not sure how to save for retirement and ultimately receive the benefit of being in business for yourself.

He originally was a sole proprietor, but we had recommended he separate each individual business into an LLC structure to divide the liability and protect his business assets. LLC's membership interests are much harder to penetrate than it is for stock ownership in an S or C corporation. For the sake of protecting his business assets in case he ever was to receive a personal judgement due to something like an auto accident we wanted to prevent his business assets from being in harm's way.

He had been funding a Roth IRA for himself, but we started incorporating funding an additional one for his spouse as well who was a stay at home mom since they filed joint taxes together. He had a significant profit in one of the LLCs for the current year so we determined he could establish and fund an employer sponsored retirement plan for that year. We determined he also could contribute a portion of his employees' salaries and by doing so he was able to provide some benefits to retain some of his key employees and also receive a deduction for doing so.

Due to recent tax law changes he was able to depreciate some cost of equipment that he was planning to purchase so we encouraged him to go ahead and do that. This allowed him to use current resources more wisely and acquire additional inventory which ultimately lead to revenue increase as well.

Kevin does not have any business partners and coming up with a succession plan is several years down the road so he had not thought about it. To protect his family, we determined he should increase his disability and life insurance amounts in case something happened to him prior to selling the business or passing it on to his kids.

This is a hypothetical example and is not representative of any specific investment. Your results may vary.