

A man and a woman are sitting on a light-colored couch, looking at a laptop screen together. The woman is on the left, with her hands clasped near her face, and the man is on the right. The laptop is open in front of them. The background is a blurred brick wall.

The unique needs of small business owners



Hywood Partners

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The main reason people go into business for themselves is quite simple – to have more control. For others, wealth creation is the main focus, although small business also brings with it the higher chance of failure and loss. Is the hard work and extra risk worth it?

If you are a small business owner or have dreams of becoming one, consider the following and how it might apply to you.

Earn less now to create future wealth

Every small business owner knows there's no such thing as a 37.5 hour working week! The boss generally works more hours than employed counterparts of similar age. However despite these longer hours and more responsibility, small business owners generally have lower levels of income.

Although they earn less, the net worth of small business owners is based on the value of their business and, on average, they have a higher net worth than employed people of a similar age and gender. However, their super balances are generally much lower than their employed counterparts. The reason for this is simple - given the choice, many small business owners prefer to use surplus funds to grow their business with the expectation that its eventual sale will fund retirement.

Protecting their investment

It's common for small business owners to use their home as security for business borrowings. This is a requirement of many lenders that want to ensure the owner has a vested interest in the success of the business. For this reason, managing the associated risk is imperative. Life insurance can be used to protect the income, home and other personal assets in case the business owner dies or is unable to work to meet loan commitments.

Another area that is often overlooked by small business owners is the need for key person and business overheads insurance. These policies are designed to protect the business rather than the personal position of the owner. If

the business can continue to meet its obligations, the corresponding personal risk to the owner is reduced.

When it comes time to sell

With fewer than one in three business owners having a succession plan, most of these entrepreneurs don't plan well for the future and with almost 1.4 million Australian small businesses having no employees, the owner IS the business. This limits the value of the business as a saleable asset, meaning that when the time comes, many owners will struggle to extract the value of the equity they've built up in the business.

For owners who do sell their business, the correct use of the small business capital gains tax (CGT) concessions, for example, can significantly reduce a potential tax liability.

Don't do it alone

A key characteristic of the small business owner is their ability to rely on themselves, however there is a time for specialist advice. We have the knowledge and skills to help with matters such as business structuring, ownership strategies for personal assets, and the correct insurance cover. Give us a call to help ensure your life's work meets all of your life's needs.

Work hard. Play hard. Plan hard

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Disclaimer:
The information contained in this E-Book is general and factual information only and does not take into account the personal needs, goals and objectives of any person that reads it. We recommend you seek professional financial advice before implementing any financial strategy or financial investment.

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