



# Live cheap, die young

Are these your only options?

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# General Advice Warning

This presentation contains general information and may constitute general advice. It does not take into account any person's particular investment objectives, financial situation or individual needs. It should not be relied upon as a substitute for financial or other specialist advice. It has been prepared solely as an information service.

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# Sound familiar?

David is the owner operator of a successful business providing services to the building and construction industry. Economic uncertainty has David focussed on **succession and retirement** planning.

He was planning to sell his business to fund part of his retirement, but now has a large shortfall in retirement assets as he may not be able to sell for the price he needs.

**What does he do?**

# Can you afford to sell?

- On average 90% business owners would have only 50% assets required\*
- A business **value gap** - value today vs what it needs to be at time of sale
- Introduce **3 steps** so you can succeed

\* 2006 Bstar Value Gap Survey – “Caught short at retirement” - AFR September 2006

# 3 steps for business success

## **Step 1: Protect and grow your business**

# Business Growth & Protection Strategies

## ■ Protect and grow your revenue/profit

- **Segment** your customer base
- Use **Benchmarking** to assess
- Use **Activity Based Costing**

## ■ Collect your cash

- Update your business's **cash flow**
- Prepare a **flow of funds statement**
- Restructure your **banking** (cash flow finance)
- Amend your **policies** for debtors and stock

# Focus on building value

- **Accredited** technology exists to accurately determine your business value and strategies to grow your value
- Your business value is affected by financial and non financial value drivers
  - The length of your lease
  - Good business systems
  - Pricing sensitivity
  - Reducing **owner reliance**
  - Degree of customer loyalty
  - Staff retention and motivation
  - **Family** relationships
- Improve your value drivers to close your **value gap**

# 3 steps to business success

## **Step 2: Minimise your risks and maximise your opportunities**

# Case Study: protect you, your family and business

A few years ago, Peter left a lucrative job in the IT industry to fulfil his dream. For business growth, Peter had to **sell all** his investment assets and mortgage the family home.

Peter decided to value his business to determine his **value gap** and **strategies to protect and close** the gap.

Peter now realises that valuing his business and updating his risk management are a vital way of protecting his family's future.

# Protect the risks

- Identifying and managing risk is integral to success
- Complete a risk management checklist:
  - General - Home, Vehicle, Personal assets
  - Business – Professional Indemnity, Public Liability, Work Cover  
Inventory, Business Disruption etc  
– don't forget **Buy/Sell, Key Person**
  - Personal – Life, Disability, Trauma, Health
- Implement a risk management strategy

# Case Study: Eggs in one basket

Andrea spent 15 years building a successful healthcare business. She placed her business on the market for \$1.5m and was upset that the best offer she received after 18 months was \$800,000.

Andrea now faces a real dilemma.....

Andrea now understands she needs a **Business and Personal Plan.**

# Invest “in” and “out” of your business

- Invest in 3 key ways:
  - Business – your people and your clients
  - Lifestyle – you and your family – reward for risk!
  - Future – outside of business
  
- Protect your wealth
  - Protect from liability
  - Optimise tax structure
  
- Health & well being:
  - Involve your partner, family
  - Exercise 3-4 times a week
  - Diet – reward yourself

# 3 Steps to business success

## **Step 3: Plan your end game**

## Case Study: Is your Will your succession plan?

A few years ago Frank and Joan passed away and did not discuss the contents of their Will. The Will provided for each of their 4 children to share equally in the family assets upon their death.

Due to a recent **relationship breakdown** within the family, the family business had to be sold.

# Estate Planning is more than a Will

- No one likes thinking about their death
- Discussing succession NOW is the best thing you can do to avoid family conflicts
- Succession, retirement and estate planning are linked
- Make sure your family wealth ends up where you want it to

The Opportunity before us

**Success requires  
planning!**

# Planning, implementation, accountability

- **Business Plan and Personal Plan** – hand in hand!
- Successful business owners:
  - Understand planning is the key to their future success
  - Seek independent and objective expert advice
  - Employ a key person to co-ordinate the required expertise – one throat to choke!
  - Continually evolve their businesses to meet future challenges – new game thinking!
- Constant challenges require a commitment to spend adequate time 'on' not 'in' your business

# Take Control!

[www.warrfp.com.au/businesssuccess](http://www.warrfp.com.au/businesssuccess)

## 1. Download articles and Case Studies

- Succeeding in tough times
- Why your survival means evolving your business
- Retire without selling

## 2. Contact us

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