

# IS YOUR BUSINESS YOUR SUPER?



Reliant on your business to fund your retirement?

A common refrain amongst many private business owners is: “my business is my superannuation”. Many business owners are reluctant to invest in passive investment schemes and have a substantial proportion (or all) of their wealth sunk in their business. Wealth they are reliant on to fund their retirement.

Don't want to lose control?

This is understandable given that the return on investment from a successful business can be high but also because access to funds is critical (in the case of business cash flow problems) and putting money into traditional superannuation schemes has meant relinquishing control. Business owners like being in control. After all, this is one of the main reasons most people go into business.

The risks of private business ownership

## **Why should you invest outside your business?**

Probably the most important reason all business owners should consider some form of passive investment outside their business is this: the higher potential returns of private business ownership go hand in hand with higher risks of loss or failure. And, the more the business relies on the owner, the greater that risk of failure.

Business owners don't fully leverage their resources

Another reason is that without a disciplined approach to driving free cash flow for reinvestment outside the business, most businesses end up with lazy money inside the business because this makes life easier for the owner. Most private business owners simply don't fully leverage the financial resources at their disposal.

A plan to get rich is not enough

Private business ownership can be a route to financial independence but a plan to “get rich” is not enough. You also need a plan to “stay rich” in the face of the many adverse circumstances that can arise in your core wealth-creating business. Your business is your “offensive play” that creates your cash flow and your “defensive play” should be a disciplined plan to get that cash out of the business and reinvested into a portfolio of “security assets” that will protect your hard earned financial freedom no matter what happens to the business.

Don't become one of those entrepreneurs who is shocked to find they are facing financial hard times or the vicious downward spiral of insolvency after years of success. This advice is particularly important for the fastest growing group of NZ entrepreneurs – those over 50.

Integrate and diversify your financial resources

So, integrate your business & personal financial lives to fully leverage your financial resources and diversify your investments outside of your business to protect your future financial and personal well-being. Just do it in a way that you stay in control.