

FIVE WAYS

baby boomers can manage their wealth like a great business owner

By Thomas P. Holland, CFP®

In order to be successful in personal finance, consider what makes business owners successful. Successful business owners have already proven that they know how to be great investors by how they build the value of their business. The value of their business is determined by the growth rate and sustainability of the cash flow that the business generates. When they sell their business, these are the core factors that will set the price they will receive. But here is a surprising occurrence: Business owners make great investors until they become investors.

Most business owners, and most investors in general, fail to use the same discipline in their personal finances that created value in their business. If they sell their business and take the proceeds to a typical investment firm, they are likely to diversify largely across assets that move up and down with the general market and do not generate the level of cash flow that their business did. They abandon the principles that created the value in the first place.

Here are five concepts you can use to improve the value of your personal income and net worth:

1. Know thy customer. The customer is you and all of the people and causes you want your wealth to support. What is your vision for your personal success, your legacy? If you are sitting here three years from today and looking back over

those three years, what would have to happen for you to feel good about the decisions and actions you have taken. How about 10 years, or 20? What is really important about each of your goals? What current resources do you have in place to help make those decisions and take action? What obstacles do you need to overcome or protect against? Is your vision clear, documented and readily available to share with others? If your future required a loan from the bank, or other investors, could you convince them of your personal success? These are all questions any good business owner would be able to answer about their business.

2. Have a plan. Before you make any financial decision, define your goals and calculate what is needed to achieve them. Calculate what your personal needs are for income and lifestyle. How much money do you need and at what rate of return. All investment decisions for future income should be based and judged solely on these criteria - not by what your money did compared to some index you have no control over. What is your plan for the unexpected, such as premature death, health care cost or unforeseen economic turmoil? Any good business has accurate accounting and ability to forecast using multiple factors. Business owners also know that financial forecasts

are rarely closely met and need to be actively reevaluated and adjusted.

3. Adapt to change. It is especially tricky to create predictable income from traditional investment choices. Business owners generally do not think of their businesses as "aggressive investments." If they could find a conservative alternative to generating predictable cash flow, a large percentage likely would jump at the chance. In 2007 if a business owner came to us with \$5 million in proceeds from a business sale and wanted a "risk-free" income strategy, we could invest in 30-day U.S. T Bills and generate roughly \$250,000 in annual interest income. Today, that same strategy would generate roughly \$20,000. In order to create yield, investing requires substantially more risk today than it did seven years ago. However, what investors have available to invest in today has greatly expanded beyond the traditional investments that worked in the 1990s and early 2000s. Finding future income should not be confined by what a bank or investment house can offer. An investor can never eliminate every risk and price volatility-

ity but the core focus should be evaluating investment based on future cash flow – not by comparing performance to a volatile index.

4. Manage and delegate. Know what you are good at and delegate the rest to experts you can trust. Find personal advisors that work well as a team. Look to create a synergy you have seen work successfully within your business or past employment. Understand what your advisor's incentives are and make sure their interests are aligned with your goals and objectives. Find good talent and manage the relationship, expectations and their compensation.

5. Find and invest for the trends of the future. You can have a well-run company and it will not be successful if it is not part of a viable and growing trend. Look to invest personal wealth in companies and strategies where you understand what they do, how they create income and what trend is being harnessed.

Managing personal wealth can be rewarding when treating your personal wealth like a business owner. You dictate your financial independence and intentional legacy. You begin to pay attention and manage only what you control and you create contingency plans for those circumstances you cannot. Start by creating and documenting the vision for the business of you. Then run it like a great business owner. ■



Thomas P. Holland CFP®, is a Partner and Wealth Advisor with Global Vision Advisors. He can be reached at (781) 740-8883 or tholland@globalvisionadvisors.com or globalvisionadvisors.com. Holland is also co-author of the book *The Future of You*.

Financial planning services offered through Global Vision Advisors, LLC., A Registered Investment Advisor and advisory products and services offered through Cambridge Investment Research Advisors, LLC, A Registered Investment Advisor. Securities offered through Cambridge Investment Research, Inc., A Broker Dealer, Member FINRA/SIPC. Cambridge and Global Vision Advisors, LLC are not affiliated.

CLARITY OF VISION. CONFIDENCE IN PURPOSE.



Transition to your financial future with certainty.



GLOBAL VISION ADVISORS
Where Wealth Meets Wellbeing™

101 Longwater Circle · Norwell, MA 02061

T:781.740.8883 · F:781.740.0553

globalvisionadvisors.com

Advisory products and services offered through Global Vision Advisors, LLC., A Registered Investment Advisor and Cambridge Investment Research Advisors, LLC, A Registered Investment Advisor. Securities offered through Cambridge Investment Research, Inc., A Broker Dealer, Member FINRA/SIPC. Cambridge and Global Vision Advisors LLC are not affiliated.