



# Wealth Matters Newsletter

August 2017

## Schooling College Students about Financial Responsibility

Classrooms at universities and colleges across the nation are now opening for fall semester. You might have a child, grandchild, niece or nephew who is all set to spend their semester studying, socializing, and living on their own. You have prepared them for college life by teaching them how to grocery shop, prepare simple meals, and do laundry. Often, however, college students head to school with little knowledge about making a budget and managing money.

A National Student Financial Wellness Study, the first of its kind released in 2015 by Ohio State University, showed college students' biggest worries were not exams or terrible roommates. Their biggest worries revolved around money. A little more than 72% of the students surveyed said they felt stressed about personal finances, monthly expenses, or whether they would be able to pay for college at all.

A 2016 survey found that among college students surveyed, 71% said they learned about money management from their parents. So take a few minutes and sit down with your college student today and share these tips. Your advice could help them not only during their college days but throughout their lives.

### **Financial Advice for Your College-Bound Students**

1. **Help your college student set up necessary accounts.** College students likely will need at least checking and savings accounts. Start teaching them good habits now and ask them to research banking institutions that would be convenient for them to get to from campus or their residence.
2. **Establish clear financial responsibilities.** Determine who will be responsible for which expenses. If you are planning to take care of bills such as auto and health insurance, or cell service, be clear with your student that he or she is responsible for living expenses including rent, utilities, groceries, and other household costs.

3. **Wean them off your bank accounts.** It might be tempting to continue paying your college student's expenses to help them get a strong start, but that does not teach them to be self-sufficient; it is likely to make them more dependent on you.
4. **Decide whether a credit card is appropriate.** Credit cards often give college students the most trouble. Credit cards are an effective way to establish early credit history, but it is common for students to run up balances without fully understanding how credit cards work. If your student gets a credit card, be sure they understand how credit cards work and how important it is to pay off the balance every month.
5. **Will your college-bound student work during college?** Holding down a part-time job while going to school has plenty of advantages. It helps cover living expenses or it gives them a chunk of money to save each month. It also makes it easier for them to manage money and gain valuable work experience. And finally, it looks great on their resume after they graduate and go looking for a job in their field.

It is never too late to sit down with your college-bound child, grandchild, niece or nephew and talk frankly with them about the importance of being financially responsible.

We are here to help you each step of the way, so please let us know if you have any questions about these tips or the bigger strategies that are helping guide you to your financial future.

Sources Available Upon Request

## **5 Retirement Mistakes Small Business Owners Make (and How to Avoid Them)**

Small-business owners are an essential component of keeping America's economy churning. In the United States, small businesses with 500 or fewer employees make up 99.7% of companies and are collectively worth more than \$10 trillion.

Too often, however, small-business owners spend so much time and energy building their companies, they neglect their personal financial futures. They might consider their companies to be their retirement plans, but don't create the structure or strategy necessary for turning financial success into a meaningful retirement.

### **5 Mistakes Business Owners Make**

#### **Mistake No. 1: Not Creating a Retirement Road Map**

Building, running, and growing a company is tough. Business owners have countless responsibilities, and too few hours in the day. Often, in the midst of fulfilling your professional priorities, you end up putting your personal financial life on the back burner.

*Almost half of all business owners don't have retirement strategies in place.*

If you have not planned for your retirement, you are not alone. Many entrepreneurs think growing a business is all they need to retire. However, simply having a business does not automatically mean you have a retirement strategy in place. Without a documented road map—one that goes beyond the hope to sell your business or to pass it to family—you could end up pushing back your ability to retire. In one survey, 28% of respondents said they would delay retirement if they could not sell their businesses or receive the money they needed.

Delaying retirement is not always an option, though. Life often brings surprises and challenges, and you cannot always control when you retire. In 2016, 55% of people who retired early did so because of challenges, such as health problems or disability. To help ensure you can experience retirement on your terms—rather than reacting to what life or the business world throws your way—you need to proactively address these items...today.

**What to do now:**

- **Define your ideal retirement.** Clarify when you want to retire and what lifestyle you hope to enjoy.
- **Build strategies to address your retirement.** Determine the actions you need to take to fill the gaps between your current assets and the income you will need to support your desired retirement.
- **Hold yourself accountable.** Do not let the busy life of business ownership keep you from staying on track toward the retirement you desire.

**Mistake No. 2: Not Having an Exit Strategy**

For many business owners, the idea of selling their companies for top dollar or passing them down to future generations is a retirement dream. Many entrepreneurs, though, are not doing the work necessary to turn this dream into a reality.

*Only 15% of US businesses survive to the 2nd generation—and 5% to the 3rd generation.*

In the United States, 60% of small-business owners are baby boomers who plan to retire in 10 to 15 years. However, only 1 in 8 has a business succession plan—regardless of the company's success. In fact, a survey of business owners with more than \$3 million of investable assets found that 64% of respondents ages 50 and older did not have a formal succession plan.

No matter how long you want to work and how much you love your business, a clear exit strategy is necessary to help foster the company's longevity and preserve your financial health. If you want to be able to retire when and how you would like—and have your business last beyond your career—you need an exit strategy for accomplishing that goal.

**What to do now:**

- **Define your ideal exit strategy.** Do you want to sell your business? Pass it to the next generation? Find an outside successor?
- **Determine the real value of your business.** Hire a qualified professional to provide a clear valuation of your company as it is today. Depending on how far you are from retirement or exiting, you might need to revisit this valuation in the future.
- **Create a strategy—and stick to it.** Your exit strategy might require you to hire new people, adjust your services, or implement a number of other changes.

**Mistake No. 3: Not Having Separate Retirement Savings**

Trying to build retirement savings while you foster your business can be challenging. With only so many dollars to go around, and an endless list of professional expenses, you might rather reinvest in your company. However, even if you are ready to sell your business at retirement, you need to have savings that are completely separate from your business.

*In one survey, only 32% of respondents ages 45 to 64 had saved more than \$100,000 in retirement accounts.*

The reality is that solely relying on the value of your business to carry you into retirement is a risky approach that can easily backfire. Not only can industries change and companies falter, but only 20% of businesses listed to sell actually do. Would you and your family be able to enjoy a comfortable retirement without your current income or profits from selling your business? If the answer is no, now is the time to start building your savings.

**What to do now:**

- **Balance your personal and professional finances.** When deciding how to invest your available assets or what salary to draw, make sure you focus on addressing both sides of your financial life.
- **Explore available retirement-savings tools.** From SEP IRAs to 401(k)s and beyond, small-business owners have access to a variety of vehicles for building retirement savings.
- **Review your budget, and create a disciplined savings approach.** Identify ways you might be able to trim your current expenses or save on your tax liabilities. Also, establish a habit of regularly contributing to your personal retirement savings.

**Mistake No. 4: Not Having Sufficient Life Insurance Coverage**

Most people are familiar with life insurance, but the role this product plays for small-business owners often is more complex than for the typical individual. Of course, sufficient life insurance can help protect your family's financial security if you were to pass away. A business owner, though, could have an extra liability: business collateral. If you take out loans to support your business and you pass away, your family members are on the hook for that debt, which could jeopardize their financial standing. However, with the protection of life insurance, your loved ones can be covered.

*Only 47% of small companies have any type of business life insurance.*

In addition, life insurance can be a tool for supporting your company's longevity. Luckily, the coverage you need might cost significantly less than you expect because people often overestimate the cost of life insurance. In fact, the median guess for the cost of \$250,000 term life insurance was more than twice the actual price.

\*Guaranteed interest rates are based on the claims-paying ability of the underlying insurance company. Additional benefits and riders may increase the cost of the premium or reduce the interest rate earned. Applicants are subject to underwriting, which may include medical history and current health.

**What to do now:**

- **Analyze your current life insurance coverage.** Do you have the right tools? Do you have unrecognized gaps?
- **Address your family's life insurance needs.** Calculate your total debts and expenses to find the amount your family would need if you were to pass away prematurely.
- **Uncover your business life insurance opportunities.** Work with a professional to determine how life insurance might be able to help support both your business needs and your retirement goals.

**Mistake No. 5: Not Hiring Outside Support**

Running a successful small business requires a number of skills—from delivering your product or service to managing employees and growth. Accustomed to shouldering a vast number of responsibilities, many business owners seem to forget they do not have to go it alone.

*Nearly three-quarters of business owners do not have a dedicated financial representative or banker.*

Hiring outside help not only gives you access to experienced professionals who can apply their expertise to your specific needs, but it can also save you significant time. In a 2016 survey of almost 1,700 growth-oriented small businesses, almost 60% expressed challenges with understanding and managing laws and government regulations. They spent an average of 4 hours a week just dealing with regulation and tax compliance.

So, business owners have both personal and professional financial strategy needs on top of regulatory and tax burdens, thus increasing their need for professional support. Unfortunately, 36% of entrepreneurs seek advice from the Internet instead.

#### **What to do now:**

- **Determine what professional support you need.** You likely should consider hiring a tax professional, attorney, and financial advisor. Your unique circumstances might require additional support.
- **Ask your professionals to work together.** Aligning your financial life requires an understanding of its many facets. Make sure your support team has a clear picture of how your various pieces intertwine.
- **Embrace the benefit of outside expertise.** Your financial advisor and other professionals are there to help support your needs with professional guidance. Let them provide the insight you need and take the weight off your shoulders.

#### **How We Can Help**

Launching and growing a small business is a challenging, time-consuming endeavor that is not for the faint of heart. As experienced financial advisors, we are here to help you overcome the obstacles that business owners often face and help you seize the opportunities before you.

In times of economic fluctuations and changing regulations, we believe it is critical to seek guidance from an advisor. The tips in this article are a helpful overview of what you might need to address for your own retirement, but your complete answers are as unique as you are. From our experience, small-business owners who recognize and avoid these common mistakes—and take proactive steps to plan for the future—are better able to enjoy the lives they desire.

We know balancing your personal and professional priorities is tough. We are here to serve as a resource for you and your family. We are happy to discuss your current financial situation and future goals with a free, no-obligation consultation at any time.

If you have any questions about the information you read or would like to discuss your specific needs, please contact us. We would be delighted to speak with you.

Sources Available Upon Request

**AROUND THE OFFICE**



#### **BikeMS 2017**

We are gearing up for another big ride for Bike MS! For the past 6 years we have sponsored a group of bike riders who raise money for MS research and do a 1 or 2 day bike ride from Olathe, KS to Lawrence, KS. This year's event will take place on September 16-17 and we'd love to have you join our team. If you have an interest in riding,

email [Cali@SearcyFinancial.com](mailto:Cali@SearcyFinancial.com) for details or learn more at <http://searcyfinancial.com/bikems-team-searcy-spinners>. All riders are welcome, from beginners to experts!

### Jazz in the Woods Re-Cap

Each year, Jazz in the Woods raises money with a raffle drawing and our friends Bill and LaVonne were this year's winners! They decided to donate their winnings to L'Arche Heartland in memory of their son, Patrick. For more information, you can visit [www.larcheks.org](http://www.larcheks.org). The event netted more than \$40,000 for local children's charities. For more information on Jazz in the Woods, visit [www.jazzinthewoods.com](http://www.jazzinthewoods.com). Thank you to everyone who supported this event!



### Enjoying the Season

We were lucky enough to spend some time visiting with our friend Mike Kenny in his backyard oasis. He is an expert gardener and has created a "vacation" spot right in his back yard!



### Searcy Financial is Expanding

We are proud to announce our new satellite office will be located in Naples, FL. This office will join our existing locations in Overland Park, KS (headquarters) and Phoenix, AZ. Thank you for helping us continue to grow! If you have family or friends in Phoenix or Naples that you think could benefit from meeting us, please let us know. We will also continue to be available by phone and video conference for those outside of these locations.



*"Life shrinks or expands in proportion to one's courage."  
- Anais Nin*

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