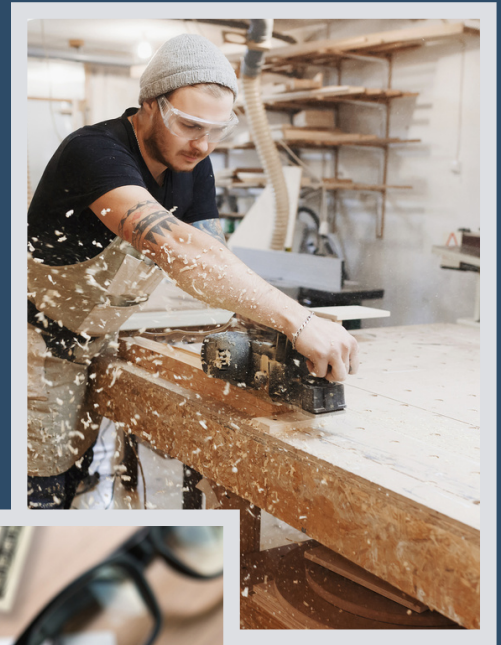
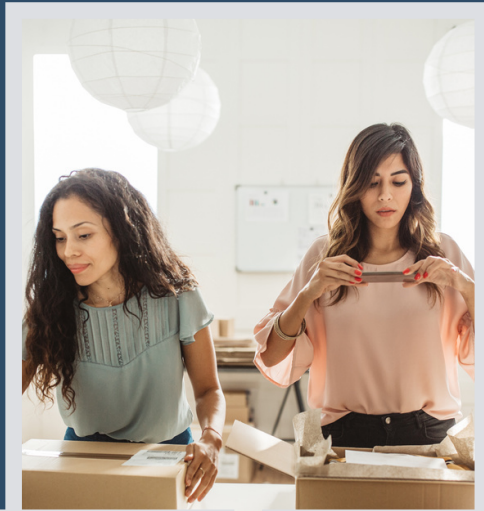


Owning Your Opportunity

A Guide to Financial Planning for Small Business Owners



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Group

OWNING YOUR OPPORTUNITY



Like any good business plan, this guide was developed with an end goal in mind: to set you up for success with Small Business Owner Planning. Hopefully the information provided herein about necessity, process, and resources will convince you that planning is a worthwhile endeavor to benefit you, your family, and your employees.

“Small Business Owner.” Three words that our economy and society are built upon. 99.9% of the businesses in the United States are “small businesses”, defined as those with less than 500 employees.¹ Enough to make you wonder why “big businesses” get so much attention.

The answer might be that owning a small business is rarely a glamorous affair. It usually means early mornings, late nights, wearing multiple hats, applying some elbow grease, and doing the dirty work. It is the constant grind towards improvement and the weight of knowing the buck stops with you.

Unfortunately those responsibilities take a toll. While focusing on the stability and growth of their business, many owners see deterioration in other areas like personal or family finances. They become distracted and neglect equally or more important priorities: retirement preparation, estate planning, educational aspirations, etc. Eventually these other considerations reach a breaking point and irreversible damage is done.

That’s why we created this guide - to communicate the importance of proper financial planning for you and your greatest asset: your business.

Some of this information will be new to you, while some is likely familiar. As you progress through this guide if you feel the compulsion to act on our advice, reach out. We are ready and willing to step in and assist you with any needs you have.

¹Small Business Statistics of 2023. Kelly Main. 12/07/2022. www.forbes.com/advisor/business/small-business-statistics/

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WHAT IS SMALL BUSINESS OWNER PLANNING

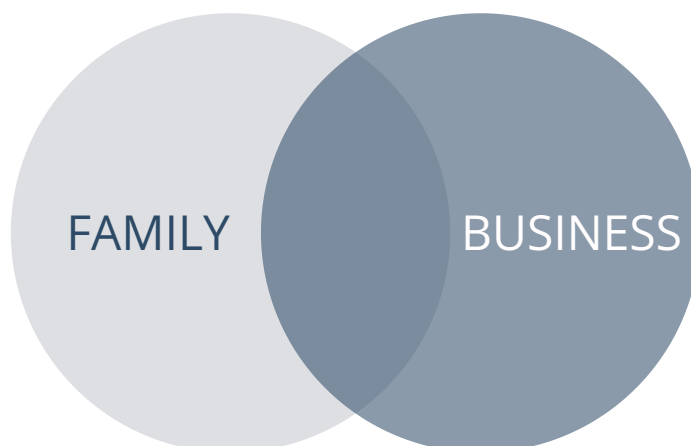
Small Business Owner Planning (SBOP) is more than a mouthful; it is a complicated sub-discipline of financial planning.

In typical financial planning, we take the basic components of a family's financial situation (income, expenses, assets, liabilities) and determine how they can be used to fulfill goals, aspirations, and desires.

Timeframes span decades and the decisions made effect multiple generations. In some cases individuals who aren't even born yet already have a plan created for their entire lifetime.

SBOP, however, is more intense. It involves all the details of personal financial planning, but also requires analysis of the business components AND the effects they have on the family. Similar to ordinary financial planning, SBOP may account for multiple generations of businesses, with plans guiding start-up or acquisition strategy through to exit. It is essentially multiple financial plans wrapped into one.

If SBOP sounds challenging, that's because it is. Done correctly it requires an intricate knowledge of personal finance practices, tax planning, retirement plan administration, succession planning, business valuation, and a host of other disciplines. It also requires a strong relationship with the owner and their family, so we can accomplish all of their needs & wants.



THE PURPOSE OF PLANNING

Despite the complex nature of SBOP, its purpose is fairly simple: **“maximize the benefits of business ownership to the advantage of the owner and their family.”** In short, get the most out of the business that you can.

This might seem like an obvious objective. But in our experience business owners become so focused on their company, that they overlook opportunities to achieve their personal long-term goals. Some of these goals run parallel with business performance - the more the business makes in profit, the greater the ownership distributions for example. But some goals are less directly related or may even seem counter-intuitive to business success. For example:

- What is the impact of establishing a retirement plan for employees?
- How can a buy/sell agreement benefit my partnership?
- Is my business still the optimal place to invest personal capital?

It surprises many owners to hear that the endeavors they thought would cost them money can actually net them huge benefits in the long-run.

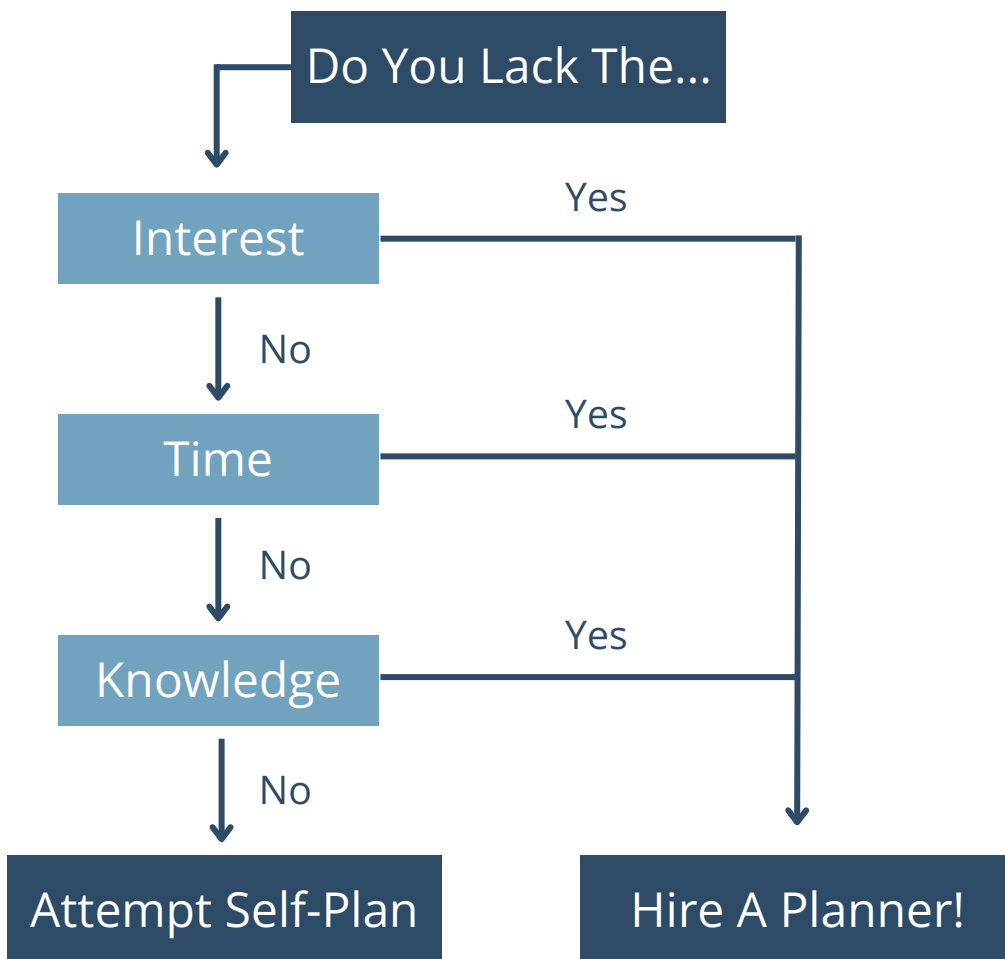
Additionally, we encourage business owners to ask themselves: **“who do I have that is aligned to MY needs, wants, and desires?”** Many professionals working with small business owners are transactional - business brokers, insurance agents, commercial lenders - they all need to complete a transaction to get paid. But what if the transaction they recommend isn't ideal? What if NOT doing something is the best course of action?

As fiduciary advisors we have the legal & ethical requirement to put your needs above our own. This allows us to serve as consultants aligned with your best interests, guarding your long-term future with a personal and family focused relationship.

WHY PROFESSIONAL PLANNING IS NECESSARY

In our experience there is no group of individuals more interested in personally addressing their own issues than business owners. After all, solving problems and making things happen is what you do every day in your business - that determination doesn't disappear when the focus shifts to personal finances.

However, we also know there are three problems facing small business owners that make professional planning necessary: Lack of Interest, Lack of Time, and Lack of Knowledge. This isn't an all or nothing proposition - if you find yourself without ANY of the three, you need to hire a professional planner.



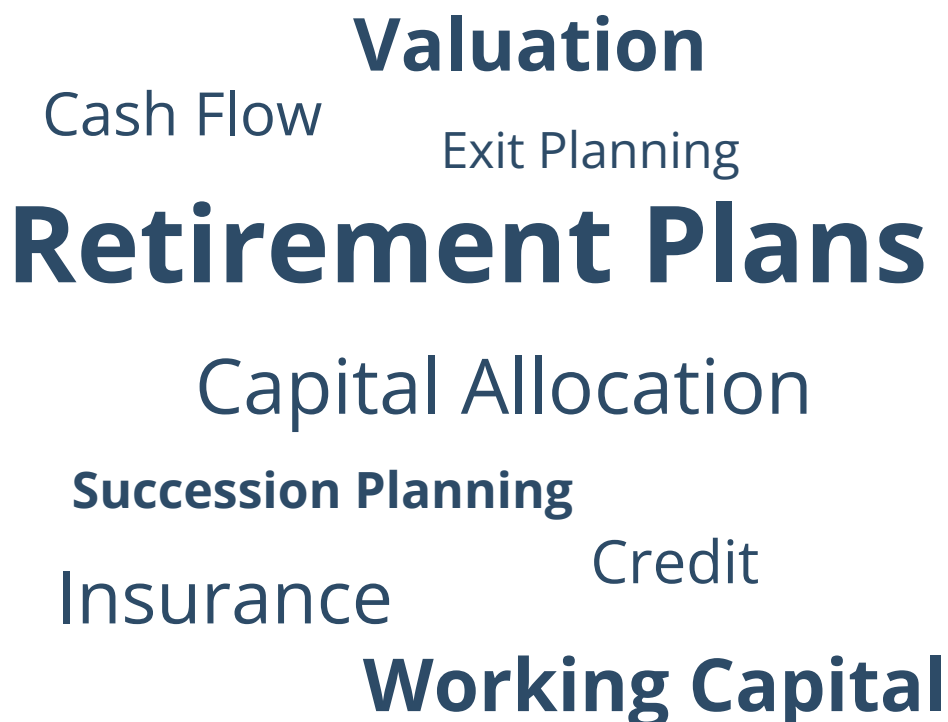
WHY PROFESSIONAL PLANNING IS **NECESSARY**

Lack of Interest

This is the easiest problem both to identify and solve. However, it does require a degree of distinction. It is perfectly acceptable to be interested in the OUTCOME of Small Business Owner Planning, without wanting to handle it personally.

Many business owners will look at the formidable list of tasks involved in planning and simply say “no”. They don’t have the drive or desire to perform these tasks themselves. If they did, they would be working as financial planners and not running their own business. But they do want to experience the benefits: increased retirement confidence, tax advantages, decreased liability, etc.

Therefore the logical thing to do is hire professionals to handle the work. The tougher task then becomes hiring the right team to get the job done.



WHY PROFESSIONAL PLANNING IS NECESSARY

Lack of Time

Let's start with something you already know: small business owners work a lot. Almost 50% more than the average full-time employee working for someone else¹. 49% of small business owners report working 50+ hours a week¹. And those numbers are based on people that actually had the time to respond to a survey.

The reality is that running your business requires more time than just about everything else in your life - kids, spouse, housework, sleep, etc. - even if we wish that weren't true. So if you want to handle financial planning personally, where are you getting the time? Which part of your life are you going to pull from to deal with retirement plan administration or capital allocation?

We encourage you to be honest with yourself about how much time proper planning will take and how much time you currently have. Like the other aspects of your business and personal life, a financial plan isn't something you complete once then put on a shelf to collect dust. It requires constant upkeep - monitoring portfolios, projecting cash flows, assessing insurance policies - activities that will take time away from your core business activities.

We hear the trope "you can't create more time" a lot in our industry. That's true - but in this case you can FREE UP time by not taking on work you can outsource to a trusted partner.



¹How Hard Small Business Owners Work. Brian Sutter. 06/28/2023. www.score.org/resource/blog-post/how-hard-small-business-owners-work.

WHY PROFESSIONAL PLANNING IS NECESSARY

Lack of Knowledge

How likely is it someone without training or experience could run your business as well as you? Just browse a few online posts, read a book or two, then walk in and execute? In our experience it is unlikely.

Overnight success is a myth; you have to put in the work to learn your craft.

The same is true of financial planning. It takes years of education and experience to manage complicated financial scenarios. Individuals who try using “how-to” guides and a few hours during a weekend are sorely misguided.

For context some of the certifications we possess require thousands of hours of study and experience just to sit for the qualification exams. The issues we deal with are not simple to grasp, and the consequences for mishandling these issues are steep. That doesn't stop people from trying though, and the results are often disastrous - businesses and retirements with extraordinary promise squandered by someone who thought they knew better.

The same way we would never replace our own HVAC system or defend ourselves in court, business owners need to realize their limitations. From our perspective, unless you own a financial planning practice, you are better off hiring a professional to do your planning. Even if you are in the financial services industry, sometimes a second set of eyes can find things you missed. The price of being honest with yourself in this regard is measured in dollars - the price of lying to yourself might be financial disaster.

PLANNING

ROLES & RESPONSIBILITIES

Small business owners know the importance of building a large provider network to handle all the things they don't have the time, knowledge, or interest to do themselves. What follows is a brief description of the roles filled by us or our strategy partners, who can help to grow your business and improve your personal financial health.

Financial Planner/Investment Advisor: We're biased, but this is the most important role. As planners, we create financial strategies that maximize resource utilization to accomplish your personal, family, and business goals. As investment advisors, we take those plans and put them into action by seeking optimal deployment of capital and appropriate assumption of risk.

Insurance Agent: A separate individual or role filled by the planner/advisor, this person is responsible for recommending policies intended to transfer risk away from the business and individual.

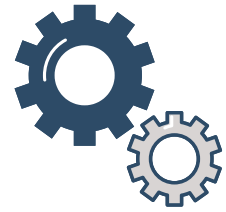
Lending Agent: An individual responsible for offering and maintaining lines of credit to ensure access to capital during expansion or liquidity during times of decreased cash flow.

Business Broker/Investment Banker: A relationship focused on the purchase or sale of an existing business. This individual will have intimate knowledge of industry trends as well as a background in business valuation and executing transactions.

Business Attorney: Specialized lawyer tasked with drafting contracts, enforcing agreements, and providing legal counsel when necessary.

Professional Employer Organization (PEO): an outsourcing firm that provides HR, payroll, and other benefits services to small and medium-sized businesses.

SMALL BUSINESS PLANNING TOOLS & RESOURCES



Small Business Owner Planning contains an almost limitless amount of tools when you consider the combined opportunities presented by both personal and business situations. While not exhaustive, this list is meant as a primer on certain strategies we use most frequently.

Retirement Plan: when most people hear “retirement plan” they immediately think of a large corporation’s 401(k). That is a retirement plan, but it’s far from the only one. SIMPLE IRAs, SEP-IRAs, Cash Balance Plans, Defined Benefit Pension Plans, Individual 401(k)s...the list goes on. Whether you want to create a plan for hundreds or a sole practitioner, we have an option that will best suite your particular needs.

Business Valuation: done in a variety of ways and intensities, valuations provide insight into the value of the business both for internal needs (assessing growth, success of an investment) and external needs (employee stock ownership plan, exit sale).

Insurance Coverages: it’s an unfortunate fact of life that bad things happen, often without warning and at the worst times. That’s why insurance policies are so important - to provide a safety net. This applies to property, casualty, & liability coverages that most business owners have, but also coverages that many don’t - key person, buy/sell, cyber, and errors & omissions.

Working Capital Management: How well are you using your assets & liabilities? Working capital management seeks to answer this question by looking at cash conversion cycles, short-term investments, and uses of debt. Finding a better way to use capital can result in increased efficiency both in cutting costs, and increasing profitability.

SMALL BUSINESS PLANNING PROCESS



Our Small Business Owner Planning process is comprised of 9 steps, each one critical to a successful outcome.

Step 1: Create a Personal/Family Financial Plan

As important as your business is, it is critical to think of it as a means to an end. That end is the accomplishment of all your personal and familial goals. Because of this, we start our planning by focusing on those goals - retirement, education, legacy - and what it will take to make them reality.

Step 2: Perform In-Depth Business Evaluation

Note this step says Evaluation, not valuation. While the value of the business is important we are more interested in its general qualities - overall economic health, cash flow, uses of debt. Your business is likely your greatest financial asset, so we want to get to know it as best we can.

Step 3: Determine Liquidity & Borrowing Requirements

From the business evaluation comes a basic question with tremendous weight: is the business self-sustaining or does it still require capital infusions? If the business is already generating enough cash to support itself that's fantastic. If it hasn't reached that milestone yet we will want to determine how much cash it is likely to require and what mechanisms it can rely upon to supply that liquidity.

Step 4: Assess Business & Personal Risks

Successful businesses are similar to successful personal lives - they take years to build but can be destroyed in a day. That's why identifying and mitigating risks to you and your business through proper insurance practices is essential to your long-term success. We'll look at some obvious coverages (Life, Property, Liability) but some less obvious ones (key-person, buy/sell, errors & omissions) as well.

SMALL BUSINESS PLANNING PROCESS



Step 5: Optimal Deployment of Working Capital

How can you most efficiently run your business? The answer lies in your utilization of working capital - the short-term assets and liabilities you need for day-to-day operations. Having too little on hand could mean not meeting obligations to vendors, clients, or employees; too much on hand and you are foregoing opportunities for higher return. We help you find the sweet spot for maximum efficiency.

Step 6: Establish Retirement Plans

Many business owners view retirement plans as a luxury meant for large companies. The truth is there are retirement plans that can provide benefits such as tax deferral, favorable contribution limits, and investment opportunities for every size business - from sole proprietor to Fortune 500. Setting up the right plan will allow you to build a base of investment for retirement while increasing attractiveness to employees.

Step 7: Succession Planning

Most owners who spend decades building their business don't want to hand it over to a stranger. That's where succession planning comes in - the process of transitioning ownership to family members, friends, or current employees while maximizing benefits to the departing owner.

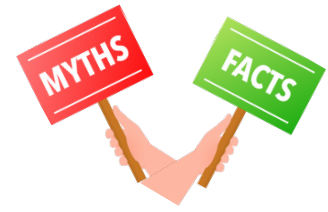
Step 8: Exit Planning

In some cases succession isn't an option and an owner wants to explore an exit through sale. In this case the devil is in the details - valuation, add-backs, due diligence, earn outs, non-competes. As the culmination of your time as a business owner, the exit is the last (and usually greatest) hurdle to clear.

Step 9: Transition to a Remarkable Retirement

Decades of hard work and sacrifice culminated in a successful departure from business ownership. Welcome to Remarkable Retirement!

COMMON MISCONCEPTIONS



“I run a simple business - everything you talk about is too fancy for what I do.”

We hear this most from sole proprietors or individuals with only a handful of employees. Here’s the truth: every large, complex business started out as a small, simple business. And just because your small doesn’t mean you can’t benefit.

Perfect example: the contribution rate (how much you can set aside each year) for SEP IRAs is over TEN TIMES that of a Traditional IRA.¹ That’s ten times the tax deduction and ten times the deferred growth. The best part? You only need to make more than \$26,000 to start benefiting.

“My business is too small/doesn’t make enough to establish a retirement plan.”

This is a very commonly held belief. Two-thirds of American small businesses don’t offer retirement benefits.

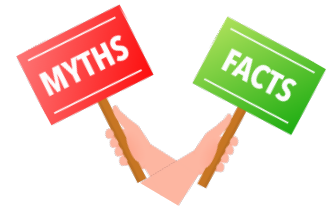
The reasons are predictable: 48% of owners say they can’t afford one, 22% are too busy running their business to focus on it, and 21% say they don’t know how to set one up.² But what if a retirement program could help you save money, decrease your tax burden, and make you more attractive to employees?

Every business - even sole proprietors - can benefit from retirement plans. In many cases the business owner can benefit disproportionately by choosing a plan that biases age or tenure with the company. Additionally many plans cost very little (if anything) to set up, and administration costs are negligible or offset by various tax credits.

¹Retirement Topics - IRA Contribution Limits. Nd. www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits

²Why Small-Business Owners Can't Retire. Tyler Lang. 03/20/2023. forbes.com/sites/forbesfinancecouncil/2023/03/20/why-small-business-owners-cant-retire/

COMMON MISCONCEPTIONS



“My business IS my retirement plan - I’ll take whatever proceeds I get from sale and live off those.”

There is no denying that for most business owners, a sale is their greatest windfall. But what happens if the market doesn’t cooperate?

No one knows what the small business landscape will look like 5, 10, 20, or 30 years from now. The year you have set aside for retirement might be the year interest rates triple, making it impossible for a buyer to finance a purchase. Or your business might be disrupted by new technology - entire industries have been born, matured, and died in less time than the average career of 45 years. Owning a VCR repair shop was a phenomenal business in the late 80s; 15 years later that business was failing.

We understand using your business as a source of retirement funding, but like every other investment it is critical to diversify. Putting money away into retirement accounts unaffiliated with your business is a prudent way to secure your future and grow funds tax-free or deferred.

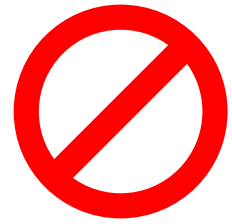
“What you do isn’t that complicated - if I can run a business I can manage my own financial planning.”

It doesn’t matter how often we say it, there are still individuals who believe they can do better than the experts. Or maybe they are motivated by another factor like cost. Either way our recommendation is the same - **don’t try it**. A recent study showed that even among business owners who pay to have a financial plan built but insist on handling the execution themselves, there is an over **70% FAILURE RATE**.¹ The proof is out there - for the majority of business owners the do-it-yourself approach does not work.

¹“Where Formal Financial Plans Fail”. Russ Alan Prince. Financial Advisor Magazine. 12/02/2019.

SMALL BUSINESS PLANNING

THINGS TO AVOID



Ever make a mistake and think afterwards “I wish someone had told me not to do that?” That is the purpose of this section - to provide you a list of things NOT to do so you can avoid the mistakes before they’re made.

Not Setting Goals

You can’t work towards success if you don’t know what success looks like, yet many people never formally define their goals. To “retire comfortably” is a nice sentiment, but it means different things to different people, and you can’t accumulate “comfort” in a retirement account. In order to be proactive and efficient with your time, you need to create specific and measurable metrics for success.

Choosing the Fastest, Cheapest Options

There is a mantra when it comes to getting work done: “Good. Fast. Cheap. You can only have two.” These days there is a proliferation of services that focus on the fast and cheap options; in fact, you can do everything you need to establish a business online in a day for a few hundred dollars. But there are consequences.

Most of the services you’ll utilize when creating or growing a business are there to protect you: insurance for mishaps, contracts for agreements, etc. You might not think about them every day, but they are the bedrock of your company. Think about what would happen if your billing contracts were deemed unenforceable, or your workers’ compensation policy was insufficient - could your business sustain the financial toll? Is it worth saving hundreds now only to pay thousands or tens of thousands down the line?

They aren’t “core” to your business but these issues are critical to your success. Fast and cheap might work well if you are ordering t-shirts for your staff; but for the foundation of your business you need something more substantial.

SMALL BUSINESS PLANNING THINGS TO AVOID



Neglecting Continuity Planning

One of the greatest risks that any business faces is the loss of an owner or partner. It goes without saying - if an individual who built the firm passes, the business is irrevocably changed.

Proper continuity planning mitigates this by providing two things: a plan of succession after the person passes, and liquidity (usually life insurance proceeds) for the business to buy back ownership interest from the deceased's estate. This way the surviving owners can continue to run the business as they see fit, and the deceased's family gets a pre-negotiated value for their share of the business.

Failure to perform this planning typically leads to catastrophe. The surviving partners are responsible for managing the business, but now share ownership with members of the deceased's estate - extended family, friends, or possibly even creditors. There is no dedicated pool of liquidity to pay off the estate either - surviving partners will have to reach into their personal finances or pull funds or borrow against the assets of the business.

Ignoring Key Person Risk

Owners and partners aren't the only people that matter to the firm. In many cases businesses employ individuals crucial to the firm's success - either because they perform a critical function or because of how proficient they are in their role.

These individuals are an asset but also a liability; if they are critical to the business then losing them causes irrevocable harm. As a result policies & procedures should be established to incentivize their retention (equity grants, ownership purchase programs) as well as protect against their untimely departure (key man insurance).

UNDERSTANDING WHY WE PLAN



We'd be remiss if we didn't address the question we get most often discussing Small Business Owner Planning. Why do we (as planners) do this job? After all, planning for business owners is incredibly labor intensive - as we mentioned earlier its essentially three financial plans in one.

First and foremost, we are small business owners at heart. We might work for a large, formidable firm in Moors & Cabot, but we run our own practice and deal with many of the same issues you do. True to our advice though, we focus on what we are good at (helping clients) and let best in class professionals handle the rest.

Second, small business operations are part of our DNA. Over the course of our combined careers, we have worked at, consulted for, and brokered the purchase or sale of many small businesses. We also maintain extensive contacts in the investment banking and private equity industries, allowing us to keep pace with current trends, make capital introductions, and facilitate exit opportunities.

Last and most important: supporting small businesses is essential to the communities in which we live and work. It's no exaggeration to say these companies are crucial to our local economies; 3.6mn Floridians (41% of the workforce) are employed by small businesses. We need to go back only a few years to the COVID-19 era to see what happens when these companies start disappearing - it hurts not just the owners and employees, but everyone who enjoyed patronizing the business. We believe it is our job to facilitate the growth and continuing prosperity of small businesses for the benefit of our whole community.

THE **BOTTOM LINE**



Like any good business plan, this guide was developed with an end goal in mind: to set you up for success with Small Business Owner Planning. Hopefully the information we've provided about necessity, process, and resources has convinced you that planning is a worthwhile endeavor that can benefit you, your family, and your employees.

If you are convinced, contact us to arrange a consultation. To set expectations, you can expect to receive the following from us during a first meeting:

1. A detailed introduction to our partners and practice.
2. A review of your planning process, with estimated timelines
3. List of anticipated analyses to conduct & deliver

In turn, we'll request the following from you:

1. An overview of your business's operational history
2. Your perspective on the state and trajectory of your industry
3. Copies of any existing planning documents you have prepared
4. List of information requirements to facilitate planning

If you aren't convinced, we would invite you to ask the following questions - and then let us know your answers:

- Why am I comfortable being inefficient in my management of my business's investable assets?
- What about my company makes it immune to liability or exogenous threats?
- Why am I comfortable leaving my retirement to chance instead of having a coherent plan?

ABOUT OUR PRACTICE

The Johnson Cotroneo Group (JCG) of Moors & Cabot is a full-service wealth management practice. In addition to our work with Small Business Owners we also work with Special Needs Families, Career Professionals, and those seeking a Remarkable Retirement.



INDIVIDUALS/FAMILIES WITH SPECIAL NEEDS

Individuals and families with special needs face a number of financial challenges - developing a lifetime care plan, maintaining eligibility for government benefits, and efficiently managing their resources just to name a few. Our clients benefit from our personal experiences with the community as well as our commitment to professional development.



CAREER PROFESSIONALS

A life dedicated to a particular field - medicine, law, military service, business - and the perfection of its practice. Career professionals face significant demands on their time and increasingly complicated environments in which to operate. Let us provide the process to increase your financial efficiency and free up time valuable time.



REMARKABLE RETIREMENT

Engaging in one's enthusiasms shouldn't be a luxury; it should be the outcome of every successful plan and the reward of a life well-lived. Whether simple activities like golf & fishing or once in a lifetime experiences, the things you dream of should be the core of your retirement planning.

ABOUT OUR PRACTICE

Both our partners, Matthew Johnson and Brian Cotroneo, possess extensive credentials and over 40 years combined experience in financial services. Before founding JCG, they worked at multi-national brokerages Merrill Lynch, Citi, and Bank of America as well as boutique firms in Florida. Matt & Brian possess a shared vision for JCG where clients are given what they need, how they need, when they need it.



Matthew Johnson

Co-Founder, Johnson Cotroneo Group

Certified Financial Planner (CFP)
Chartered Financial Consultant (ChFC)
Accredited Estate Planner (AEP)

Brian Cotroneo

Co-Founder, Johnson Cotroneo Group

Certified Financial Planner (CFP)
Chartered Financial Analyst (CFA)
Chartered Special Needs Consultant (ChSNC)



In addition to their work with individual business owners, Matt and Brian are active contributors to the broader Small Business community. They are members of the Northeast and Southwest Florida Estate Planning Councils, Chamber of Commerce, National Federation of Independent Businesses, Florida Association of Veteran-Owned Businesses, and the National Small Business Association.

TAKE THE FIRST STEP

Small Business Owner Planning is complicated - but it starts with a simple conversation. Contact us today to schedule an introductory meeting with one of our partners.

We will walk you through the planning process and discuss the issues unique to your scenario. Appointments can be scheduled via phone, virtual meeting, or in-person at a location convenient to you.

If you have specific questions or are interested in more resources, please visit our website below.



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