

WEALTH
— *On* —
PURPOSE®

A Field Guide for
New Business Owners

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Advantage®

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— INTRODUCTION —

I watched, engrossed, as Rocky punched it out with Apollo Creed up on the big screen one afternoon when my father took me to a matinee in El Paso. I was eleven years old, but even at that age, I knew something about boxing. Dad was a fan of the sport. We had visited gyms, and he had even taken me to fights.

“Son, do you know what the lesson of that movie was?” My dad asked when we walked out of the theatre. I remember feeling, “what did I miss?” Rocky had lost. It was a real slugfest. I knew that he did his best and that he really shouldn’t have had a chance. This was the first time I remember thinking that the good guy didn’t win! But I couldn’t for the life of me think of what my dad was looking for. “I don’t know, Dad.” I really wanted to know, and I really wanted to have the right answer. I thought about it more and finally toward the end of the drive home, my dad said, “If you work hard enough and you have enough time, you can accomplish anything you want.”

Perhaps you remember being told something similar by a parent or grandparent when you were young? How many times throughout your career do memories like these filter through into the present, usually just when you’re wondering what the next step is, challenging the direction you are going in and trying to make decisions that ensure you are always on your own path rather than drifting into somebody else’s?

This advice has certainly stayed with me ever since that day at that movie, like when I embarked on a college degree thinking I was destined to become an accounting and finance major, only to discover my real interest was philosophy, so I majored in that instead. Or like during the 1987 depression in Texas when I decided that learning how to sell would be a great foundation

for my career, only to discover that companies weren't necessarily looking to buy company benefits in a recession. Or when I eventually decided to combine my love of people and ideas with consultative selling, observing the real dangers people were facing and the depth of their concerns.

I fought for victory in those early days of my career, and I was determined, with Rocky Balboa a sort of role model, to come back fighting in each round and never give up. I knew that with time and perseverance, Austin would rise again and that I, too, would be all right. I knew I had a bright future ahead of me, even if I couldn't see it yet, because I knew that if I wanted something badly enough, and if I kept at it, I could do anything.

— FORWARD WITH CONFIDENCE —

The power of great advice like my father's, I've come to learn, does not come from simply hearing it. It comes from the act of embedding it into your mind-set, and using it to inform your every day decision-making. You have to live it and make it a habit before you can reap the rewards.

Having worked with hundreds of successful business leaders from all types of backgrounds, one thing I've observed is that most, like me, fight for their successes. They choose themselves and their own path in life and in doing so, they often find themselves in the position of pioneer, constantly venturing down the unbeaten track while leading the way for others to follow. It's what makes us "entrepreneurial," and our ability to create our futures by using our individual strengths to create value for others will always provide for us in one way or another.

The flip side to this entrepreneurial nature, however, is that the "right" way forward is not always clear. There are plenty of crossroads and forks, hazards and distractions en route to our bigger futures, and particularly in our rapidly changing economic and technological landscape, it can be hard to identify long-term goals and create a plan for our businesses and our wealth that we have true confidence in. It can also be hard to know how to think about your business and your wealth. I deal with this every single day in my own business, helping successful business leaders build and manage their wealth and indeed, their legacies, through a combination of careful planning and cultivating the right mind-set.

The purpose of this book is to provide the leadership, clarity, and confidence to help you make informed decisions about your business wealth, your personal wealth, and your and your family's futures. Written specifically for entrepreneurs and small business owners who want to be sure that they are working on those things that can have the most impact, this book serves as a guide that aims to improve your understanding of working on, versus in, your business, and to introduce many of you to new ways of thinking about wealth creation and thus help you get more of what you want in life and less of what you don't. Over the course of the next two hours, I will share my experience and expertise to show you how you can create the future you want and take your business to the next level, without adding a lot of risk. Everything I share in this book comes from my experience working with closely held businesses and their owners.

GREAT LEADERSHIP

Leadership can be defined in many ways, but great leadership certainly involves changing one's situation for the better. Which way should you go? What should you do? I work with business owners to develop a trusting relationship in which we can answer those questions. When you have leadership from a service provider, you not only have the confidence that they know what they are doing, and can therefore be trusted, but you are also empowered to start making better decisions for yourself. Leadership is, therefore, a mind-set, a practice, that can be both provided by others and generated from within and, when you have it, you can move forward toward your goals confidently, minimizing the risks as you go.

People often think of business owners as big risk takers. Instead, they are risk mitigators. Successful business owners eliminate as many risks as they can, getting those obstacles out of their way as they achieve their goals. They do so through planning, and planning requires a degree of clarity.

For years I have run my own business, and I understand the ups and downs. Along the way, I also have worked with hundreds of business owners as they have faced a wide variety of scenarios, through markets good and bad, through bleak economies, and through internal challenges. I have dealt with both routine matters and unusual and intense issues. Once, for example, as I arrived for a meeting with a CEO, two police cruisers pulled in behind me.

The company's controller had been embezzling. I'd say that's an issue, as did the business. One minute everything was fine and the next, chaos.

In one form or another for twenty-five years, I have been working with business owners. In my early Austin days, I would give those sales presentations and listen as the owners informed me why what I was suggesting was wrong. I often went back to my office convinced that they knew a lot more than I did, which of course was true. But I listened. I took it in, and I took it to heart. I learned. And in the many years and many conversations since, I have continued to build my breadth of knowledge and understanding. I have seen the patterns and come up with solutions, and I'm pleased to share them throughout this book.

— THE BUSINESS LIFE CYCLE —

Every business has a life cycle, but it's easiest to visualize it as an S-curve given business will be in some stage of that life cycle. It might be the early stage of survival, or the period of growth, or the later time of maturity or disinvestment, when the company is at the point of selling or transitioning.

START UP & SURVIVAL	GROWTH	MATURITY	TRANSITION
Focus	Focus	Focus	Focus
Cash Flow Increasing Capacity Marketing Financial Systems Right People	Cash Flow Key Employee Group Contingency Plans Financial Controls	Expense and Tax Reduction Key Person Retention Value Driver Exit Strategies Owner Financial and Estate Planning	Owner Divest Tax Avoidance at Sale/Transfer Lifetime Financial Confidence Target Succession

When in the growth stage, businesses attach greater importance to matters that they did not pay much attention to in the survival stage. In the maturity stage, businesses move on to other pressing concerns that had yet to present themselves in the growth stage. And at the point of selling or passing the company on to the next generation, still other matters take on prime importance.

No matter what stage of your business you are in right now, this book shares information and recommended actions that will add to your knowledge of what is important in all those stages, and how to make the most of them. Having worked with owners at all levels for over twenty years, I understand the opportunities and challenges both from the psychological and financial perspectives. I know how it feels to be where you are, and I know what needs to be put in place to get to the next level.

Two things are of highest concern in the growth stage. The company needs to make sure that its financing is in place, whether self-financing or from the outside. And it needs to make sure that it is building a stable and motivated management team to get to maturity. In the mature stage, the focus is on making sure that the business supports the owner, who also needs to keep a perspective on what is most important. Often the owner can get distracted when the business is mature, or seems to be, and is making lots of money. This book will not tell you how to manage your business, but it does show what becomes very important as the business grows beyond the survival stage including how to build and nurture your team, and work with your end goals in mind.

— WALKING ON THE MOON —

Business owners often say that they sometimes feel as if they are walking on the moon. They feel like they are the only ones to know what they are going through, to do what they have done. Not too many of their friends and associates have also built \$50 million or \$100 million businesses. Or, if anyone has, the business is in an entirely different field. Even though the principles tend to be the same regardless of the nature of the enterprise, many business owners do not necessarily see it that way.

It is common for a business owner to see themselves as different. It can be a lonely life. Throughout this book we will explore the various principles,

mind-sets, and resources available to business owners to silence our inner critic. It is possible and accessible no matter how far away that point seems right now, and in learning and then practicing the habits that open you up to receiving wealth and security, you surely will.

With that said, lacking that feeling of connection, business owners may find it difficult to find a trusted advisor to help them grow and this tends to increase the more they do expand and explore new areas. As the business gets more complex, so do the associated issues. Some of those issues are directly related to the business, such as tax and accounting concerns and operational challenges. Some are more personal in nature. Whatever your concerns are, if you've convinced yourself that they're unique to you, then you might also be wondering where on earth you will find a specialist to help you execute your growth plans. If you live and work in a small town, you may feel the situation is hopeless. You understand that you are in need of good counsel, but you want that advice to be practical. You do not want to hear suggestions that do not apply to you, or that even could lead you astray if you were to follow them.

Let me reassure you that business owners of diverse disciplines still have quite a lot in common. They face similar challenges. They tend to feel as if they are paying too much in taxes, for example. They face the same kind of pressures as they work with the same tax code to find ways to pay less. I had one client recently tell me, when referring to one of his key execs and a partner in the firm he owns, that "he is the only one I can tell everything I know and think about the business to."

It can feel lonely up there at the top, and business owners often do find it difficult to connect with a community of people in the same situation. That feeling of isolation is, in itself, something they have in common. They feel that they have to figure it out on their own. It need not be so. There are avenues of good advice available that can bridge the common concerns of a wide array of business owners. You may feel that you are walking on the moon, but in truth there is fertile ground all around.

CUTTING THROUGH THE CONFUSION

What business owners who feel like they're in this alone have on their minds often has much to do with where they are in the business cycle. One business might have \$70 million and be in growth mode. The CEO is wondering: "How do I safely and securely grow this thing as much as possible?" Another business might be maturing, and its owner is wondering: "How do I keep this growing steadily and make sure that what I have created doesn't end up hurting my family?"

Often those in the latter situation feel more confused than those who are in the former. They may still feel driven to grow and improve the business, but they see what is happening in the families of some of their friends, where the kids seem spoiled from too much affluence. "Why should I keep doing this?" they may wonder—but they do not know what else they might do.

My objective for this book, first and foremost, is to cut through the confusion. If you are in that position, you might want to understand your situation in black and white and to recognize your options for dealing with it. You may feel paralyzed and unable to act because you can't figure out what you truly need and what you should be doing.

"I want to leave everything to charity except enough to my kids so that they will never need anything," a client told me recently.

"Well, how much is that?" I asked. "Would that be \$5 million per kid? Would it be \$2 million?"

"I don't know."

And because he had not been able to answer that question, he had not moved forward with his attorney in drafting his estate plan.

For most business owners, it's not as if anything is going terribly wrong, but they do have conflicted feelings and so many unanswered questions. Still, they keep at it, pursuing the status quo, encouraged by the fact that they are making several million dollars a year. They may not be certain of the right thing to do, but it appears they are doing something right. Meanwhile, it is easy to feel attacked from all sides. One client described it as a "war on wealth"—whether it's from taxes or increased regulations. On the

one hand, colleagues in entrepreneurial groups praise the spirit of innovation. But it can feel as though the government is not on your side; not when the top 1 percent of the taxpayers pay nearly half of the tax. We have recently seen capital gains taxes rising by 50 percent, and income taxes by 25 to 30 percent.

So it can be easy to feel as if prosperity is being taken from you. I have also met people who feel that the government might as well take a big share because the kids would make even more of a mess of it. I have met people who gave too much to their kids too early, and then conditions changed and they did not have enough for themselves. They needed it back. It can be hard to imagine, but people do lose \$50 million. They can lose everything. The money can evaporate in a bad economy, or it could evaporate because of a personal catastrophe.

And when people are faced with the big questions, typically their response is to persevere. They work to build their business and eventually sell for what they hope will be a good price. Once they sell, they think they know that the proceeds should go into the market—and they worry about whether they will lose control. Whatever stage you're at, it is important to plan carefully to keep your options open. The key is to remember the why, the purpose, the reason that you are deciding either to part with your money or not. You might give to your kids, or you might give to charity. Or you might even opt to pay the most you can in taxes—and yes, once in a while, someone chooses to pay the maximum tax! With real life examples and thinking exercises, this book goes through each of the scenarios with the aim of eliminating your confusion and providing direction.

— SOMEONE ON YOUR SIDE —

The good news is there is so much you can do. There are steps you can take to gain reassurance so that you can move forward with confidence. First you need someone in whom you can feel confident. With professional guidance, you can put in motion your plan for prosperity.

Although we work hard to find the big picture, a lot of times business owners come to us with a very specific issue. We will zero in on the situation that the client needs to deal with immediately. We explain the options. “I

didn't know I could do that," I often hear. "Tell me how that works." And then we'll talk about the details of succession planning, or about rewarding key employees as a retention strategy. As we discuss the specifics, sometimes the conversation broadens into larger issues with which we can also be of assistance. We show them what is possible, the solutions that are available with the right kind of planning. We challenge assumptions, such as the attitude that only the very wealthy can reduce their tax bill.

I have often noticed that people can make multimillions and yet do not think of themselves as big fish or particularly sophisticated. It's as if they have a radar that can only see fish that are bigger than themselves. They might be bringing in many millions per year, but what they notice is that others have more. Perceptions of wealth are relative. Rest assured: there are strategies that can help every business person, wherever you are along that S-curve, whatever stage your business is in. You just need to have someone on your side to go through the information with you with structure and clarification.

— WASTE NOT, WANT NOT —

Business owners never think of themselves as wasteful, but they do spend a lot of time concerned about matters of efficiency. They can begin to feel frustrated as the money keeps slipping away even as the business grows. The prospect of paying so much in taxes tends to dim the entrepreneurial spirit.

"I feel like I finally got my business where I wanted it to be," one man told me recently, "and it's making good money. But it seems that half of that goes to taxes, and the other half I have to save to make sure the business will be okay. I'm hitting my goals, and the company's five times larger than it was when I bought it—but it just doesn't feel that I'm much further along." It had been his father's business, and he bought it from his mother after his father died. It was doing about \$2 million in sales and had grown to about \$14 million in sales. But as it has grown, he has been handing over 40 percent of his earnings to the government, and when he passes the business on to his own child, he expects that the government will be taking another 25 percent cut. I reassured him that we can eliminate the second tax completely and cut the first one down, but the frustration he expressed is common among business people. It can feel as if the odds of success are

stacked against them. They can feel like saying, “why even try?” Here’s why. A business has the potential of doing tremendous good in the world. It supports not only the owner’s family but the families of all employees, not to mention the service it provides for all those customers. That’s a worthy cause.

In fact, the government knows that, too—and therefore puts in place tax incentives that businesses can use to reduce how much they must pay. Lower taxation makes businesses more competitive and productive. It frees up your resources so you can grow stronger, better serve your customers and your staff, and ultimately reach out to give back to the community. Clearly that is in the government’s interest. The difference is that you, rather than the government, get to decide where the money goes.

Knowing that I can help people find those efficiencies and savings is a reason for me to get up every day. I am more than happy to help them break free of their acceptance of the status quo. I help them to understand that there is much they can do, and they need not feel that it’s all stacked against them. I help them to develop those strategies, and I also look for the good things they already are doing that could be made so much better with some judicious adjustments.

First and foremost, a business must grow. It needs to thrive. That’s why it is so important to define all the efficiencies and eliminate anything wasteful. This gives it the ability to do good not just in some distant day of charitable giving—although that is important, too—but also in the here and now. Thriving businesses produce the pay checks for countless citizens. Thriving businesses support local efforts and campaigns. They contribute immensely to the economic and social health of a community.

And yet so many businesses that could do even more to help their communities are simply leaving money on the table. They fail to take advantage of strategies that could add significant value to their enterprise. That is why I do what I do and why I’ve written this book. That is the passion that drives me. I can do my part to improve our community, whether locally or nationally, by helping to put a stop to the waste, one business at a time.

By the end of reading, I hope you feel more informed of these strategies, have a clearly defined purpose and vision for the future and understand the next steps to put this into action.

It happens in every industry. The executives become enamored by the investment potential in some related field, and they invest in those related enterprises that they see making so much progress. Then the market cycle hits the entire industry, and those businesses shut down—and the investors feel a threat to their own survival.

Some advisors do suggest that it is a good strategy to put your eggs in one basket, but keep a very close watch on that basket. And there is wisdom in that approach. That one basket incorporates all the things you know how to do well. The issue is this: If it is your basket, then you can only “control the controllables.” What you can’t control is what other CEOs or the market or the economy might do. Maybe the risk you are taking in your own business is enough. Think through what circumstances might take your business to zero. Then consider what might do that to those outside enterprises. Maybe your extra cash can go toward diversifying instead of compounding risk.



You may have significant expertise in a specific aspect of your industry, but know next to nothing about associated businesses. Knowing next to nothing is not a green light to proceed. When you branch out into areas that are not your forte, you risk falling flat. Not only do you risk losing a lot of money, but you also risk relationships. If you have invested in an associated business in your industry, it is likely that the owner of that business is one of your vendors, or perhaps you are a supplier to that business. Maybe you are fishing buddies. Perhaps even in-laws. Suffice to say that when things do not work out well, it’s more than a monetary loss.

All business people need to focus on what matters most, and to invest their time and energy there. Getting sidetracked on an associated enterprise not only can over-concentrate your resources, but also can scatter your attention. Your job is attending to the big picture. Don’t be distracted by lesser pursuits. I have seen owners of \$100 million businesses who are spending much of their time fretting over a \$5 million personal portfolio. If it does very well it might average 10 percent a year—but that is not even close to what they could bring in if they just devoted all that energy to their business pursuits.