

# Shifting from corporate life to self-employed

It's no surprise that entrepreneurs, startups and small businesses will play a major role in the economic recovery. What may surprise you is who is expected to lead this wave of new businesses.

A recent study by the Ewing Marion Kauffman Foundation titled "The Coming Entrepreneurship Boom" predicts that the baby boomers, ranging in age from 45 to 63, will be at the forefront.

The reasoning — the oldest boomers are on the cusp of retirement yet unable to retire due to shrunken portfolios. At the same time, they are not exactly the most attractive job candidates in the market due to age. So, many are exploring a third option — starting their own companies.

But before you quit your day job, individuals should examine their personal and potential business finances, along with the considerable lifestyle changes entrepreneurship can bring. Also, consider these tips:

**Start writing your business plan:** Sitting down and writing a formal business plan is an excellent way for anyone to examine the idea, structure and money sources for their business. Get the basics of the business planning process is the U.S. Small Business Administration's Small Business Planner website at: [www.sba.gov/smallbusinessplanner/index.html](http://www.sba.gov/smallbusinessplanner/index.html)

**Branch out for specific advice:** A visit to your certified financial planner can help you start to review your financial and personal capacity to make such a new enterprise work. But you should also seek advice from tax advisers, attorneys and small-business peers.

**Get rid of your debts:** With the possible exception of mortgage debt, there's very little "good debt" in the life of a businessperson. Start cutting back and

erasing as much credit card and adjustable-rate debt from your personal life as possible. Think about refinancing your house, if the interest rates make sense. Get a home equity line of credit set up while you are employed full time. You don't have to access it, but it is good to have available.



**GUEST OPINION**

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ness as well.

**Diversify your portfolio:** If you are a corporate executive who is transitioning to the self-employed world, you should eliminate all company stock to dramatically reduce your individual stock risk. Your portfolio should be more conservative in the beginning and so should your taxable accounts if you ever need to tap them in an emergency.

**Start thinking about your legal business structure:** Before choosing a business structure, such as a sole proprietorship, S or C corporation, partnership, limited liability partnership or limited liability company, owners should understand all the options and reflect on their business in the context of their overall financial life.

**Choose an accountant who works with the self-employed:** If you are transitioning to the self-employed workforce and are certain you will have income, you will have to pay estimated taxes, and you may want to set up payroll. And

you can set up a retirement plan for your business and save upward of \$100,000 per year if you have the cash flow to support it.

**Plan your health-care and other basic benefits:** When you're working for yourself, you become your own human resources department. Price the out-of-pocket costs of such benefits before starting your own company.

**Price disability coverage now:** You should price long-term disability coverage based on your present working salary so you can qualify for the highest possible benefit. Disability coverage is critical for self-employed people since they're their own support system.

**Update your estate planning documents:** A change in work can lead to a change in your estate planning. This is a good time to update your estate plan and remember that it's an ongoing process of your wealth management plan.

**Plan how to market your business:** Marketing will be a key part to get the word out about your new business. Understand the difference between pull and push marketing, and determine where your audience is.

**Consider a slow transition:** If your income will be too small to sustain your lifestyle, consider a slow transition to the self-employed world. Look to diversify your income streams to have multiple sources of income so you aren't dependent on one client for your livelihood.

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