

# Coordinated Financial Planning

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Only a very small percentage of businesses are aware of the importance of formal financial planning. Only a modest number of individuals engage in comprehensive personal financial planning. Even a lesser number of business owners and professionals coordinate their commercial and private financial lives by doing both.

In today's more competitive yet weaker economic climate, it is essential that all businesses and professional practices consider their present and future economic health. Enterprises that continue to operate as they did when the economy was at its best are limiting their companies' potential to succeed and, possibly, risking their very existence. Since such a significant number of individuals rely on their businesses for income, it's surprising not more recognize the benefits of coordinated financial planning, which includes both business and personal financial resources.

## THE BUSINESS OR PROFESSIONAL ORGANIZATION

The typical business or professional practice is busy on a daily basis opening and closing operations, devoting most working hours to serving both the regular and special needs of their customers or clients. They may consider operational necessities a few weeks ahead but, on the whole, don't think they have the time to plan business activities months and years in advance.

What steps should a business take toward planning for a successful, secure financial future? Formal financial planning does not occur without

effort. Initiating a program is the first step, often accompanied by the retention of a C.P.A. and/or other professional advisor to facilitate the process.

Taking the step to invest in a financial consultant greatly increases the likelihood of success. The benefits of retaining a professional include:

1. Someone is responsible to help complete the plan, rather than leaving it to a "time availability" status.
2. The investment in a professional makes the process have more credibility and value.
3. Objective outside input is now available.
4. Someone in the organization now


has the ability to create financial projections as a part of the plan.

It's recommended that the entire process be scheduled after business hours and, preferably, away from the work place. If not, there can be constant interruption, forcing financial planning to take a back seat.

## PERSONAL FINANCIAL PLANNING

In recent years, the media has covered the public's expanding interest in planning their private financial affairs. Twenty years ago, individuals typically handled their personal finances without the aid of budgets and creative planning. Today, at least a percentage of the population has an organized plan for managing their income and accumulated investment

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funds, with or without the aid of a professional.

A private financial program should include a strategy for long-term retirement and estate planning, while regulating current income and expenditures. As with commercial financial planning, goals should be established and the means to accomplish them devised. This is a highly recommended process, and considerable benefits are available even without hiring a C.P.A. or other professional planner. The time devoted to creating a personal budget can mean the difference between a well-balanced family life and financial ruin. Overusing credit cards and other available lending establishments has resulted in economic crises for many

individuals and their families.

A C.P.A. or other financial planner can significantly increase the likelihood of successful financial planning by adding input and objectivity. It's good advice to welcome a professional's ideas while applying the advice with scrutiny.

### COORDINATING THE PLANNING

Very few individuals realize the importance of coordinating the financial planning process of their business and personal financial lives. For example, an entrepreneur may begin to fulfill his family's financial needs by taking larger salaries or distributions from his business. This is only a good solution if the business can afford the increase in expenses. If not, the busi-

ness owner is improving one situation at the expense of the other. In that case, he should reduce personal spending instead of weakening the business.


Even if a business or practice can afford the greater expenditure, does this step deny enough working capital to allow for growth? This can happen more easily if coordinated financial planning is not considered. In other words, if the business owner curtails personal spending and decreases salary withdrawals, then the additional funds can permit the enterprise to expand and earn increased profits.

Optional personal expenses should be placed on hold if the business is in a cash-hungry position. This also reduces the need for bank loans, a costly way to assist operations. Coordinate budgets for both your business *and* family, and consider the needs of both before making final financial decisions.

Prime retirement plans can be either business or privately based. For example, the entrepreneur may establish a company pension plan or he may use a private individual retirement account (I.R.A.).

### CONCLUSION

Many businesses do engage in formal business planning and find the process highly advantageous. Similarly, business managers who complete personal financial planning arrangements are typically delighted they did. Unfortunately, only a small number of people arrange for coordinated financial planning to cover both their commercial and private lives.

Coordinated financial planning can be accomplished without professional assistance. However, the cost of having a C.P.A. or other qualified advisor participate in the planning is generally a sound investment—resulting in higher operating profits and a sounder personal financial situation. 

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