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“A Plan With A Purpose!”

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In this week's episode, we will cover:

- **The three phases of finance for a 401(k)**
- **What to consider when creating a trust**
- **Do you really need a business plan?**
- **What to know before selling your business**
- **Why you should consider creating a plan “B”**

The Three Phases of Finance For A 401(k)

The first phase is accumulation. Make sure that the amount you are putting in your 401(k) is consistent. The younger you are, the less you have to save. The older you are, the more you have to save. A 401(k) can be a pretax account; when you put the money in, it won't be taxed today. However, it will get taxed in phase three. You can hide some income from the IRS now to benefit you later.

The second phase is preservation. Your return on your investment will be the most critical aspect of preservation. During this phase, interest will be larger than the contribution that you are making. This doesn't mean you should stop adding to your 401(k).

Lastly, the third phase is distribution. Distribution is where your plan with a purpose comes in handy. You will need to know how taxes work at some point in time – they play a massive role in distribution. An account with one million dollars in a 401(k) is a lot different than one million dollars in a Roth IRA. Not all accounts are created equal. If you don't know your end goal, you will have a challenging time understanding how to distribute this money.

Do You Need A Trust?

Some people will have a trust for privacy. Another reason you have a trust is for control. When you're gone, the trust will say how you want your assets treated. You can pretty much do anything that you want to be done in a trust. If the attorney is creative enough, there are not many things that you can't do with a trust. Joe would recommend that you do not use a premade trust. There are certain things you want your trustees to know that you don't necessarily want them to know today; so, Joe will write letters to the trust. Down the road, he may change his mind. You can add letters to the trust to clarify things for the trustee(s).

Putting A Business Plan Together

America is the most incredible place to start a business. If you are going to raise capital from bankers or investors, then you need a strategic plan of some nature. With your own money, you need to know where your direction is, but you don't necessarily need the business plan written out. The further along you go with your business, the less you have to pivot on a dime; however, you always need to prepare to make changes. When you're starting, then you need to be willing to adjust. It is critical to know where you want to wind up eventually, but you don't necessarily need every "I" dotted and every "T" crossed.

In life, you get what you pay for most of the time. However, many incompetent people get paid loads of money to give advice. While on the other hand, people will give fantastic advice for next to nothing. When starting a business, the first person you need on your side is a banker or a CPA. The tax structure that you use is going to be critical. If you do everything right today, it will take a lot of pain away tomorrow.

Selling Your Business

Before selling your business, find someone who has done it before. The people who buy businesses have bought a lot of them. Most likely, this business is probably the first one that you have sold. In this scenario, you are playing checkers, and they are playing chess. So, find someone who has experience on your side; you need a strategist. When you sell a business, worry about the strategy of the transition. If you are inside the jar, you can't read the label. So, find someone who can assist you.

Creating A Plan "B"

The best insurance that you can have for losing a job is a margin. Ensure that you don't have too much of your time, energy, or money invested in one area. That way, there's a margin in case the unexpected occurs. This can also be referred to as an emergency fund. An umbrella policy will also be a plan "B" option. As soon as you max out your auto insurance and there are additional costs, the umbrella policy will take over the rest. Plan "B" means thinking about:

- What's the worst that can happen?
- Can I live with the worst?

Financial Tidbits

- *"Leaving money behind the same way is not necessarily fair for everyone." -Joe*
- *"Play chess, not checkers with the IRS." -Joe*
- *"Do not use a premade trust." -Joe*
- *"Clarifying intent will make life a lot easier." -Joe*

In This Episode:

- [5:25] The three phases of finance for a 401(k)
- [18:45] Is it necessary to have a trust?
- [32:05] Putting a business plan together
- [40:00] What professionals do I need to start a business?
- [47:25] What do you do when unexpected things happen in life?
- [59:55] What to do when you receive an unexpected amount of money

Links Mentioned:

- Fierce Conversations: <https://fierceinc.com/fierce-conversations/>
- The Road Less Stupid: <https://www.amazon.com/Road-Less-Stupid-Keith-Cunningham/dp/0984659269>

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