

Choosing a Business Advisor

As a small business owner, you wear many hats. One day, you might take care of ordering products, and the next day, you might handle the payroll. Then, of course, you have all of your customer and employee-related duties. You might even handle all of your company's finances. Unfortunately, unless you are a trained financial advisor, your commercial work could end up costing your business money. From year-end tax planning to a variety of other financial services, a small business advisor can provide you with expertise that only comes with training and experience.

What Is a Small Business Advisor?



Before you're willing to dive in and hire a small business advisor, you probably want to know exactly what you're getting. In a nutshell, small business advisors help with business planning, finances, and operational decisions.

That is a very general description, though. Let's take a look at some duties your small business advisor can handle for you. Then, you will understand why these advisors, or consultants, play such an important role for small business owners.

Forming Your Small Business

Choosing the right entity structure is critical for small business owners. It will affect their taxes and how much control they have over their businesses. Unfortunately, it isn't uncommon for small business owners to select an entity quickly without giving it much thought. Instead of doing that, small business owners should consult with advisors. The consultants will go over the company's current situations and discuss plans for the future. Then, they will select the appropriate structures.

Determine What Your Small Business Is Worth

One of the most important roles of a financial advisor is helping people determine how much their small business is actually worth. That might sound funny. After all, shouldn't small business owners be able to look at their bank accounts and assets to determine how much their businesses are worth?

It's not quite that simple.

It's common for small business owners to have anywhere from 70 percent all the way up to 90 percent of their net worth and assets invested in their businesses. That makes it difficult to determine how much the company itself is worth. Fortunately, a small business financial advisor can step in and value the business.

You have to know the value of your business if you're going to make plans. Knowing the company's value will also help you protect it, and transfer it if you desire. If you don't know the value, you could end up losing it.

Tax Planning

Taxes are a serious burden for small business owners. Often, that burden is more than it should be. Small business owners don't know how to get all of the deductions that they are owed, and they don't know how to accelerate or decelerate income and expenses to get favorable tax results. A small business financial advisor helps clients get the best tax rates and the most out of their deductions. Small business owners can get out from underneath tax burdens when they utilize these services. The result is a tax season that is a lot less stressful.

Transfers

Small business advisors also help business owners complete transfers. Some small business owners transfer their companies to their family members, while others sell their businesses to unknown third parties. With the help of a small business financial advisor, these transfers are seamless. They make sure all of the paperwork is in order, and all laws are met. Then, the business owner gets to walk away with some money in the bank.



Insurance Issues

Insurance might not sound like the most exciting issue, but it is one of the most important. This goes beyond basic health insurance. As a small business owner, you have to think about life and disability insurance. Many owners are completely tied up in their businesses, and if they can no longer work, they risk losing everything. The same goes if the owner dies. The family no longer has an income, which is why coverage is so important. The coverage ensures that the small business owner and his or her family can survive, no matter what happens.

Protection from Litigation

Small business owners fear litigation. One wrong lawsuit can wipe out everything they have worked so hard to build. A small business advisor helps owners make smart decisions, so they don't have to face litigation. These decisions will keep you on the straight and narrow, so you don't have to spend your time in a courtroom. Instead, you can hold your head up high, knowing you are making sound business decisions.

As you can see, a small business advisor will play a critical role in your business. If you hire a business consultant, ask him or her what you need to do to realize your vision. Then, your small business financial advisor will put you on track to meet your goals.

Charles P Myrick CPA is a tax preparation firm providing accounting and bookkeeping services to clients throughout the Washington, District of Columbia area and to virtual clients throughout the country. We provide our small business clients with cash flow and budgeting analysis systems that help analyze spending, and re-balance budgets and/or debts for an optimal cash flow. Feel free to contact us at any time.