

# A Guide for Women Small Business Owners



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POWER OF

**you.**



*manufacturer, doctor,  
writer, designer, consultant,  
contractor, printer, architect,  
florist — business owner.*



## THE POWER OF YOU TO MAKE AN IMPACT

Congratulations, you are part of the business mainstream. As a woman and a business owner, you are part of a major force in today's economy.

- NEARLY HALF OF ALL PRIVATELY HELD BUSINESSES IN THE US ARE OWNED 50% OR MORE BY WOMEN.<sup>1</sup>
- BETWEEN 1997 AND 2002, THE NUMBER OF WOMEN-OWNED FIRMS INCREASED 42%, ALMOST DOUBLE THAT OF ALL FIRMS (23%).<sup>2</sup>
- ONE IN SEVEN OF ALL EMPLOYED PERSONS ARE EMPLOYED BY A WOMEN-OWNED BUSINESS.<sup>1</sup>
- ONE IN EVERY 11 ADULT WOMEN OWNS A BUSINESS.<sup>3</sup>

Women-owned businesses are a critical part of today's economy not only because of their sheer numbers, but in terms of their economic impact. And while women have made tremendous strides, owning and operating a successful business is still a challenge.

A day's work could include anything from answering phones or delivering goods to meeting customers and keeping the accounting system on track. But whether you have a one-person shop, own a small expanding company, or have a part-time sideline that provides you with extra income, in many ways you chart your own course. And with that comes responsibility—not only to yourself, but to your family and your business. That's why it's important for you to find the time to pull together all aspects of your personal and business finances to create a plan.

One way to start is with a business plan that can give you a definite direction and with your navigation, the ability to stay on course.

# your business needs

## BUSINESS PLANNING—WORTH THE EFFORT

As a business owner you have probably made a lot of sacrifices and spent a lot of time growing your business. You want to know that it will pay off and that your business will still be successful in 10-15 years. However, the truth is that over fifty percent of small businesses fail in the first year and ninety-five percent of small businesses fail within the first five years.<sup>4</sup> There may be some debate over the reasons, but one thing is for sure, those who take the time to write a business plan may be more likely to succeed.

Creating a business plan forces you to set goals—both long and short term—determine the resources you'll need, and identify some of the problems that may arise. Even if you do not need a business plan to obtain funding, you should still have a written plan. Your business plan is a living document, one you can monitor and update periodically and use on an ongoing basis as a planning tool and guide. Many owners of successful businesses would agree that a business plan is a necessity and a contributing factor to their success. Once you have a business plan, you'll wonder how you ever managed without it.

## BUSINESS PLAN BASICS

When writing your plan, be clear about what time frame you are covering—whether it is for the next 18 months or 5 years. A business plan should include a summary of what your business does, where it has come from and where you want it to go. Although there is no one single formula for developing a business plan, it should include some or all the following elements:

- **Statement of purpose or mission statement**
- **Executive summary of the most important parts of your plan**
- **Description of the business—your product or service, marketing, competition and analysis of the market, operating procedure, personnel and business insurance**
- **Financial forecasts, data-balance sheet, breakeven analysis, forecasts and projections including targets and dates**
- **Other supporting documents—tax returns, building space lease, licenses, etc.**

If your business plan is being presented to others outside your business such as a bank, you might also include the history of the business, other pertinent financial records, industry outlook, your skills and qualifications, and detailed information about the product or service and its positioning against the competition.

## BUSINESS PLAN—SOURCES FOR HELP

A good way to get started is to visit the business planning section of the United States Small Business Administration website at [www.sba.gov](http://www.sba.gov). It includes information from writing the plan to using the plan. You can also find examples of real business plans from established companies. You might also consider purchasing business planning software. These programs provide worksheets and templates to help guide you through the entire process. And finally, depending on your resources, you might want to hire a consultant who specializes in business planning.

1 Center for Women's Business Research, 2006

2 Center for Women's Business Research, 2008

3 The New Challenge for Women: Reshaping the Company, Harvard Business Publishing Weekly, May 16, 2008

4 Small Business Administration, 2006

## STAYING ON TRACK

If you already have a business plan, go back to it. Revise it if you need to. Review current performance on a regular basis and identify your growth strategies. Use your business plan as a guide to help you get to the next stages of your business. A good business plan is not just a static document but should be continually revised to keep you focused and moving in the right direction.

Consider establishing quarterly plans (90-day plans) to give you a more manageable look at your goals. Taking small bites can help you achieve what you want without the sometimes overwhelming feeling of needing to take on your whole plan at once.

## FINANCING YOUR BUSINESS—KNOW YOUR OPTIONS

When you started your business you may have used a whole range of financing sources. These sources may have included credit cards, a second mortgage, borrowing against a retirement plan, or borrowing from family and friends. You may have thought that you would not qualify for credit or that the process was too difficult and time consuming.

- **Women-owned businesses are just as financially strong and creditworthy as the average U.S. firm, with similar performance on bill payment and similar levels of credit risk.**<sup>5</sup>
- **39% of women who own fast-growth firms have a commercial bank loan compared to 52% of men owners of fast-growth firms.**<sup>5</sup>

If you are looking for additional capital for your business, make sure you are informed about all the financing options available. Whether you are approaching a potential investor, such as a friend or relative, or a lender, such as your bank, you need to be prepared. You should have a business plan on hand and be able to answer questions like:

- **How will the money be used and how will it be repaid?**
- **What is your credit history, your experience in this business and what is the long-term viability of the company?**

Keep money in perspective. Nobody will deny that having sufficient capital to start and run your business is vital, and that under-capitalization is a frequent contributor to business failure. Money is not the only factor; lack of imagination, creativity and innovation can affect the success of your business as well.

**THE FUTURE OF BUSINESS  
DEPENDS ON WOMEN.**



THE POWER  
OF YOU

TO PROTECT YOUR LOVED ONES

# your personal and family needs

Chances are you depend on your business as a source of income for yourself and your family. Your business may also be an investment in your future and a major portion of your estate. But what would happen if you were no longer able to run the business, and the business began to fail? For many, financial hardships might follow. In addition to creating and maintaining a proper business plan, you may want to consider some of the ways MetLife can help you pursue your business and personal financial objectives.

## PROTECTION FOR YOUR FAMILY

Life insurance is one way to help family members lessen the financial impact of the death of a principal of a business. It can provide cash at the time it is needed to finance the purchase of the business or to pay taxes. It is also a way to satisfy the other needs of a business such as meeting payroll or covering business expenses during the time it takes to settle the estate.

Business overhead insurance is a way of paying your business overhead expenses, such as rent and utilities, during the time a business owner is disabled. And if you have certain employees who are critical to the running of your business, you might consider key person insurance or business continuation insurance. This is life or disability income insurance purchased by the business and payable to the business.

## DID YOU EVER ASK YOURSELF “WHAT CAN I DO TO PROTECT MY BUSINESS?”

For many of you, your business is your single largest asset in terms of value. But it is also a major source of self-esteem and personal worth. It makes you feel good about yourself. It's safe to say that many of you don't want to think about the time when you will not be running the business. With careful planning there are ways to protect your business, yourself, your family and your employees. You have devoted countless hours toward building your business. You don't want to jeopardize all your hard work and put your business at risk just because you didn't have a plan. It's never too early to think about planning ahead.

## RETIREMENT FUNDING— THERE'S NO BETTER TIME THAN RIGHT NOW

Making sure you are on track for retirement is a major concern for everyone, but it is especially critical for the small business owner. The small business owner won't be covered by a corporate pension plan and must control costs. They have to also ensure that their resources and plan arrangements can provide adequately for their own retirement, which could last many years.

Many of us do not want to face the possibility that we will ever retire. But this kind of thinking is unrealistic. Life can be unpredictable and for many, retirement may not be a choice but the result of ill health or economic conditions. And even if you do continue working past traditional retirement age, longer life spans make retirement savings even that much more important, especially for women. Today, if you retire at age 65, you can expect to spend another 15-20 years in retirement:

- **Women who are 65 years old are expected to live, on average, to 85 as compared to men living, on average, to age 82.<sup>6</sup>**
- **The average woman retires at 61.8 years old.<sup>7</sup>**

Unlike previous generations, the reality is that each of us will have to take responsibility for our own retirement. With that come the financial challenges we may encounter in retirement.

- **Health care costs.** Seniors make up 12% of the population but account for almost 35% of the federal budget for medical costs.<sup>8</sup>
- **Long-term care costs.** More than 70% of nursing home residents are women.<sup>9</sup>
- **Decreasing government benefits.** Many view Social Security as a major source of income in retirement. However, in 2007, the maximum annual Social Security retirement benefit was \$32,064.<sup>10</sup>
- **Steady inflation.** Even at a low rate of 3% inflation, in 10 years \$10,000 will buy just \$7,347 worth of goods and in 20 years, only \$5,437 worth of the same goods.

And if you have these concerns, you are not alone. Many women haven't saved enough for their retirement and risk outliving their savings.

Fortunately today, when it comes to retirement needs, the small business owner has all the advantages that traditionally have been offered only to big businesses such as a personal tax shelter, tax-deferred investment growth and business deductions. Today's plans are better than ever. They are more flexible, affordable and simpler.

## a business owner should consider a retirement plan a valuable asset.

### A BROAD RANGE OF PLANS

Retirement plans fall into two major categories; defined benefit and defined contribution.

**Defined benefit plans** or pension plans are just as their name implies—they provide employees with a fixed or “defined” benefit at retirement. These plans are generally for companies with older employees who are close to retirement and want to accumulate assets in a short period of time. They are also for high revenue companies that can make higher contributions. Defined benefit plans are generally more costly to administer and require annual contributions when investment returns are poor. However, they are an important benefit for you and your employees. They also allow for higher tax-deductible contributions at older ages.

**Defined Contribution plans** can take many forms. These plans are flexible and do not require annual contributions. There are many types of defined contribution plans including 401(k) and profit sharing plans, SIMPLE plans, Simplified Employee Pensions (SEPs) and Individual Retirement Accounts (IRAs). Generally, a distribution from either a defined benefit or defined contribution plan is subject to payment of ordinary income tax.

There is a retirement plan to fit virtually every small business, regardless of size or structure and these plans can provide valuable tax deductions. Each plan has a unique combination of features and benefits and with the help of a professional, you can identify which plan is right for you and your business.

just like your business goals, reaching your financial goals is rarely the result of chance or good luck, but careful planning.

6 US Social Security Administration, 2006

7 Flexible Annuities: Expecting More from Life, Financial Times, November 29, 2007

8 Senior Citizens Now 12.1 Percent of Population; New Census Report Highlights Cities Since 2000, SeniorJournal.com, August 2006; Cost of Government Benefits To Seniors Grows, Driven by Health Cost Increases, USA Today Analysis Finds, February 15, 2008

9 Women & Long-Term Care, AARP Public Policy Institute, Fact Sheet, April 2007

10 Social Security Administration, October 18, 2006



THE POWER OF YOU TO BE PREPARED

## YOUR PERSONAL PORTFOLIO— FIND THE TIME

Between the bookkeeping, speaking with prospects and making sure there's milk in the refrigerator, business owners often overlook the need to make investments in anything but their business.

You may think of your business as your entire investment portfolio. But having all your assets in one company, even if it is yours, is risky. Diversification is a way to help manage risk and one way to diversify is to make investments outside of your business. After all, if you were to invest in the stock market, instead of purchasing stock from just one company, you might purchase shares of a variety of different companies. While diversification is a useful technique that can help manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified.

Your time horizon, business prospects and personal attitude toward risk will help you determine the right mix for you.



## SUCCESSION PLANNING—PUT YOUR MIND AT EASE

Have you considered what would happen if you could no longer run your company? Or decide to retire? Who would take over? Would the business be sold? What about your family? Your partners?

Succession planning seeks to set up a smooth transition between you and the future of your business. For most of us, succession planning can be difficult because we are uncomfortable discussing topics such as aging, death and finances.

- **Only 30% of family businesses survive into the second generation, 12% are still viable into the third generation and only about 3% of all family-owned businesses operate into the fourth generation or beyond.<sup>11</sup>**
- **The chances your grandchildren will take over your business are about 1 in 10.<sup>12</sup>**

A succession plan usually includes an analysis of the business and clearly outlines the details of the transition of the business. With a succession plan you can rest easy that your business will continue when you are no longer involved and that your business will be in the control of whom you choose.

Another option for the continuity of ownership in the event of an owner's death, disability or retirement is a buy-sell arrangement. It is a written agreement between two or more owners and is based on a triggering event such as one owner's death, disability or retirement. When such an event occurs, one or more owners have an obligation to buy the business from the party who is "selling." This allows for a fair price and orderly succession of ownership.

11 Before the Sale: Get Your Business in Order, Accounting Today, April 14, 2008

12 Family Business Newsletter, Commonwealth Business Solutions, September 2006



**THE POWER OF YOU TO STAY ON COURSE**

## CONTACT A FINANCIAL PROFESSIONAL

Like anything we don't understand, our tendency is to put it off. And if you are just starting to invest, don't worry. Few women, outside of the investment industry, consider themselves knowledgeable about investing. And that's okay because a financial professional can help.

A MetLife financial professional can look at your entire financial picture and recommend products and services that can meet your needs. He or she will listen to your needs and will work closely with you to better understand your personal and professional goals. A MetLife financial professional has the knowledge, experience and expertise to provide solutions that are aligned with you and your business plan. Remember, you only have to be expert in your business, not everything else.

## TAKE THIS IMPORTANT NEXT STEP

We hope this brochure got you thinking about some of the critical needs of a small business owner and the strategies to meet those needs. Of course, which specific strategies are best for you and your business depend upon your personal situation. We urge you to take this important next step and meet with a financial services representative who can discuss your needs and goals and help you identify solutions and opportunities. Because after all, your future, and that of your business, are too valuable to risk.

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