

by BRUCE LANGER

How to avoid entrepreneur's investment gaffes

ENTREPRENEURS SHARE many common traits — passion, vision and dedication among them. But let's focus on something more basic, something that motivates virtually every person who starts a business: money.

Every entrepreneur wants to make money. Maybe not all the money in the world, but enough to live well, educate their children, travel, care for their parents, donate to charity, retire comfortably (and early) and afford themselves flexibility and financial freedom.

Regardless of where a business is in its life cycle, all too often individuals fail to plan for what it means to actually have a successful business and the smart things you can do with the wealth you're accumulating along the way.

In the crush of running a business, it's easy to let things such as "wealth management" fall by the wayside. Here are some of the common mistakes entrepreneurs make as they scream down the highway toward success:

Lack of a plan

"If you don't have a goal, how will you know when you get there?" This is an oft-repeated adage in these pages. Similarly, too many entrepreneurs with terrific business plans have no financial plan for themselves.

Just as a well thought out yet flexible business plan is vital for your company, so is a financial strategy for you and your family. Call it what you want, but do take the time to develop a financial plan or "wealth map" of some sort. Once documented, goals and objectives are much more likely to be reached.

A good plan will not just address high-level goals such as, "I want to have X million dollars in the bank," but also the details of how to get there. Every plan contains some critical points: an annual minimum savings target, asset allocation ranges and clear

expectations of your advisers.

For the strategy to be truly comprehensive it should be developed not only with the help of your investment adviser, but also with input from your accountant, attorney and insurance professional.

Inappropriate risk

In the world of investments "diversification" is often cited as your greatest defense against risk. Entrepreneurs are inclined to fall on one side or the other of appropriate diversification.

By definition, entrepreneurs carry many eggs in one basket. Because starting a business is an inherently risky proposition, some naturally extend that philosophy into other aspects of their lives, including their investment portfolios.

Some place big bets on too few companies, a potentially dangerous strategy. At the other end of the spectrum, some entrepreneurs buy a little bit of everything because they have heard that diversification cures all evil. This, however, can lead to over-diversification and poor performance over the long-term, particularly after the fees on all that diversification take their toll.

The correct mix is somewhere in between and will be unique to your circumstances. That brings us back to our first point: Have a plan.

Poor customization

Many entrepreneurs find success in identifying a specific niche and exploiting that opportunity for profit. This often leaves business owners exposed to one particular sector or industry.

Consider the roofing company or real estate agent in the past six or seven years — going gangbusters with a booming housing market. Until now. It's not inconceivable that their investment portfolio was exposed to the homebuilders, durable goods manufac-

turers and other sectors of the economy that were also tied to the housing boom.

Then, when the housing boom goes bust, our entrepreneur is hit with a double whammy: The business slows down and the portfolio hits the skids. Customization of a person's portfolio can help avoid that by underweighting portions of the market that closely track your business.

Lack of delegation

Running your business is almost always more than a full-time job and many of your sleepless nights are probably focused on where to spend your limited time. Once you identify the highest and best use of your time, the next step is to find the right people to do all the things that need to be done.

Managing your success — and wealth — shouldn't be treated as an afterthought; there's too much at stake. Just as you know enough to hire someone to maintain your computers, balance your books and handle human resources, it's important to recognize the need to reach out to someone able to help you manage your money.

Ignoring the details

Your success often depends upon your superior understanding of your industry's landscape and customers' needs. Understandably, business survival is priority number one but ignoring opportunity makes "getting there" that much more challenging.

There are some simple, smart things that can be done that can pay huge dividends down the road. From 401K, deferred compensation and pension and profit-sharing plans, to 529 plans, insurance and tax planning — all these tools, while requiring time and attention, can help shorten the distance between you and your goals.

As a business owner with limited resources, you can't be expected to be an investment expert. But while it takes time to plan for the success of your business, don't forget to map out your own financial success. The former does not guarantee the latter.

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