

RECESSION READINESS

11 WAYS TO SAIL THROUGH YOUR NEXT BUSINESS DOWNTURN



THE GOOD LIFE

By Merrilee Moffitt, AWMA, CMFC, CFP®

Every business has ebbs and flows. Some are seasonal, like landscapers, busy all summer with little income in winter. Other businesses are more tied to the economy, like dentists whose clients think teeth work is optional in a recession. There will be times when income is growing and your company is profitable and times when conditions for growth are not so good. The astute business owner tries to get ready for the next downturn. While some of these ideas may be quite simple in concept, the real trick is developing the discipline to put them into practice. That's because there never really seems to be any 'extra money'.

We'll touch on 11 ways to prepare for the next downturn in your business:

1. Adjust your Attitude. Growing sales will not always go on growing. Recessions are normal (and hopefully not happening soon). Seasonal slowdowns are normal. Even short-term inability to run your business (and be the chief sales officer) are eventual. Any revenue above your breakeven trend line should be partially allocated to future downturns.
2. Pay yourself first. Put away some dollars each month towards your shortfall months. Challenge yourself to do it even if you can't or don't think it's enough.
3. Double up on savings directed to retirement plans, escrow accounts, and emergency reserve contributions in months where income is 'good'.
4. On the flipside, turn off the contributions in months where income is less than

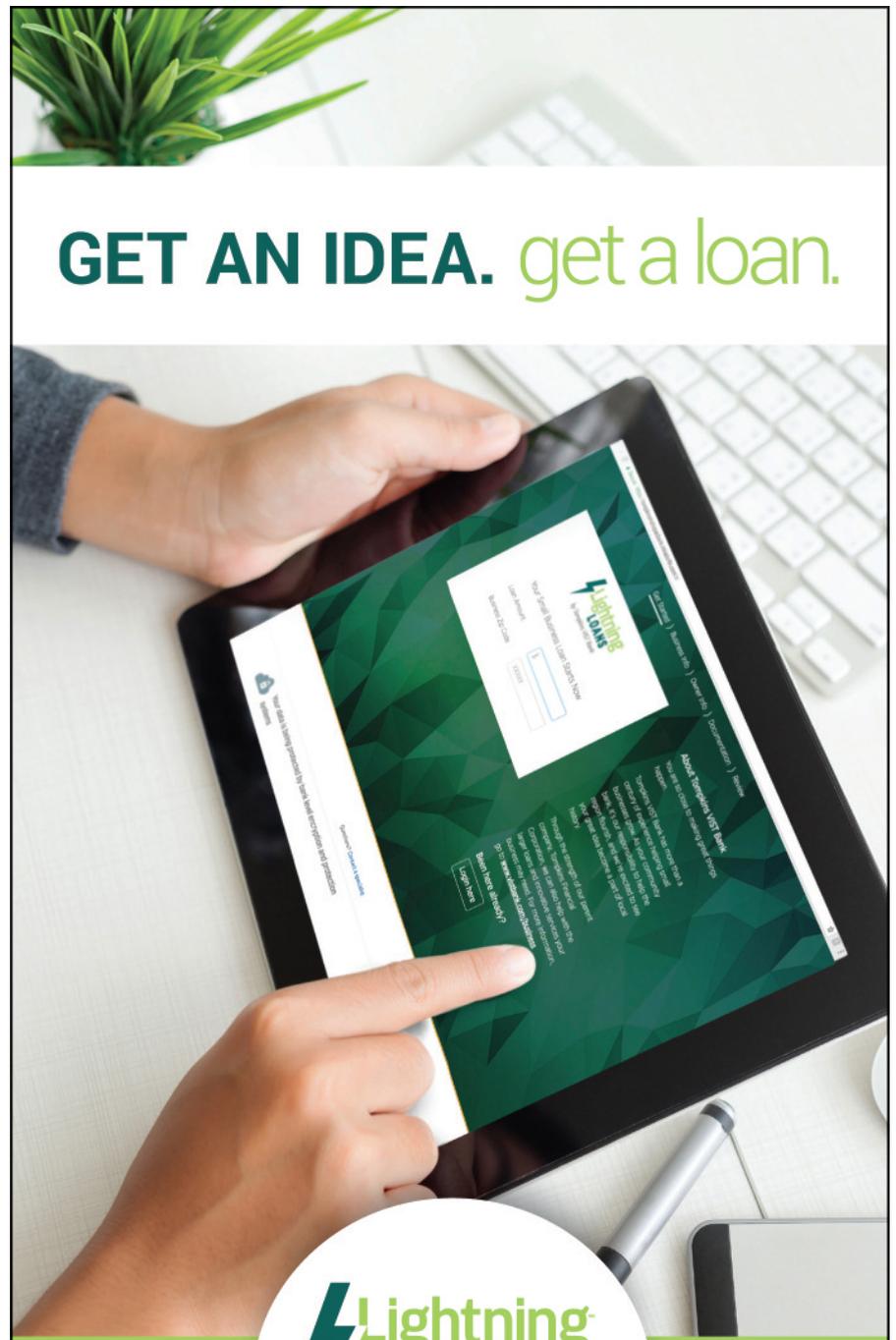
breakeven. By doing #3 above, you've created a 'bill' you don't have to pay during a shortfall.

5. Redefine your breakeven. If you increase your definition of how much you need to make each month to pay all your bills by including the three just mentioned, you increase the likelihood of doing just that. Most business owners will not rest until they've paid all their bills.

6. Find alternate sources of income. Landscapers often provide snow plowing services in the winter or own a Christmas tree farm.

7. Having a spouse with a predictable income is another way to help even out the low spots. If he or she has a salaried job, then a certain amount of income is probably assured. This is one good reason to not have your spouse be part of your business.

(Continued on page 29)



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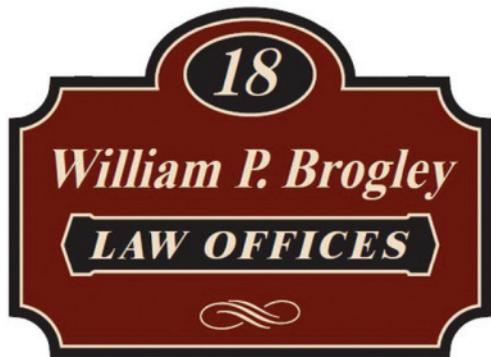
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(Continued from page 27)

8. Make practice payments before taking on a new debt. If your business needs a new truck or machine that you can't pay in full, make payments to a 'debt service' bucket for several months before actually taking out that loan. That way you'll have several months of payments in reserve should your business hit a downturn.

9. If your business is seasonal, take your vacations in the off season so you can focus on profits in the best part of your year.

10. Cut employee hours in the off season. Some employees actually look forward to downtime so they can spend time with family, recoup, or do their own projects.

11. Create marketing campaigns to draw customers in your downturn. For example, a painter who offers a discount for painting in January. Oh, and by the way don't stop marketing just because you are in a downturn.

Merra Lee Moffitt, Certified Financial Planner, is a Senior Partner at Good Life Financial Group. First and foremost, she is a financial educator. In her 18 years as a professional financial planner, she has created over 384 written financial plans for families and business owners. If you want the kind of caring, thoughtful, and educated financial planning she can bring, call, click or come by at 610.488.7353, www.MerraLee.net, or 30 Commerce Drive, Wyomissing 19610. P.S. Don't use this address for too long because we have outgrown this office and we're moving! Stay tuned.

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