

# YOUR BUSINESS EMERGENCY RESERVES RANKED FIRST TO WORST



## THE GOOD LIFE

By Merra Lee Moffitt, AWMA, CMFC, CFP, Senior Partner, Wealth Strategist, Good Life Financial Group

Recessions are normal, and when they occur your business might incur a downturn along with many others. Thankfully, most pundits are not expecting one anytime soon. Let's hope they're right. That makes now a great time to orchestrate your emergency reserve buckets so that you can strive to be prepared when the next recession or potentially other unexpected business downturn occurs.

The Great Recession was 10 years ago, and for many of you it was a time of business peril forcing many business owners to call on all their reserves until business finally improved. The Great Recession was so deep that many business owners raided every potential source of cash they had available.

This article is an attempt to help you build and rank your reserves while business is now relatively good to get ready for a possible lean time later. Your individual rankings of best to worst sources of cash will vary, and frankly, part of the services I can provide are meant to

help you potentially achieve smooth sailing through your next business downturn.

- 1 Cut expenses. One way to improve cash flow is to need less of it.
- 2 Cut your savings into your long-term reserve buckets like retirement, redirecting into a more accessible (i.e., without penalties) short term account. That money will be available short term as well as potentially headed back into retirement when business turns good again.

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## Three "Interesting" Ways To Start Financial Planning:

- 1) Schedule a date night to discuss your plans.
- 2) See an advisor who is a financial planner.
- 3) Hint! Hint! Call Merra Lee.



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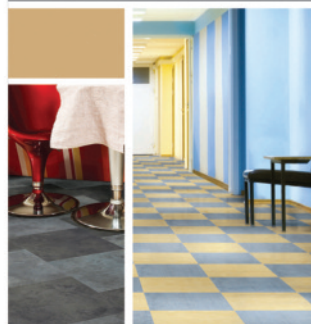
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## THE GOOD LIFE

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- 3 Your business emergency cash reserves. Just like your personal life, attempt to build up at least 2 months of operational cash flow for your business. If it seems like too much to keep in a savings account, put it in bucket 4.
- 4 Your conservatively invested business account that's accessible without penalties. I encourage many of my clients to build one which can be used for possible business expansion as well as a downturn reserve.
- 5 Your business line of credit. If you don't have one, potentially get one now while you don't need it. That's when banks are more likely to approve one.
- 6 Your personal reserves. Your family reserves can be 'lent' to the business.
- 7 Factoring your receivables is another alternative, but expensive way to help get through a downturn. If you are ever considering this, you will probably have already pursued less expensive options.
- 8 Your Roth account. If you have opened one for more than five years, you can withdraw up to your contributed without penalties or taxes. Pulling from your Roth looks temptingly like it should be further up on the list, but it is painful to pull from since you can only contribute \$5500 or \$6500 per year to build it back up towards your retirement.
- 9 A 401(k) loan. We're getting desperately far down the list, now. A 401(k) loan is only preferable to a withdrawal in that you get to pay yourself back, and potentially avoid penalties by doing so – if you follow all the rules.
- 10 An early redemption from your IRA/SEP/SIMPLE/401(k) retirement account. You will most likely incur penalties as well as taxes. This could be your worst option; hopefully you never need this.

If you plan and assertively build all your buckets now, hopefully you won't get beyond bucket number one and two in the next downturn. For help with a game plan towards your business reserves strategy, give me a call.

*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](http://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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