

# Do you stay the course or close the doors?

Most entrepreneurs start their business with high hopes and expectations for the future.

They pour their heart and soul into it, and the only exit strategy they envision is selling their business at just the right time for a large sum of cash. Unfortunately, this is rarely the case.

All too often, the business begins to struggle, and the owner does everything possible to save it. And while it may seem noble to fight until the bitter end, serious financial consequences can result from hanging on too long.

As the company starts to struggle and positive cash flow becomes a fight, an owner can do a few things to stay afloat — increase sales, cut expenses or invest more money.

Most small-business owners depleted their savings at start-

up, so borrowing money is typically the only path to more cash. But without a significant change to your business model, investing more money is usually a short-term solution to a long-term problem.

Within a year, most find themselves experiencing the same cash crunch, only this time deeper in debt.

The real solution for saving a business in trouble lies with the first two initiatives — increasing sales and cutting costs. Most owners believe they run a tight ship, but having an objective third party examine the books might reveal more efficient ways of operating.

Have your CPA, a trusted business mentor or Small Business Development Center consultant review your finances and discuss any areas that seem excessive or unnecessary.

Increasing sales is more complicated and often means thinking outside the box.

If offering the same product or service the same way to the

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same target market has played out, it is time to consider adding another product line or complimentary service, looking for new markets or reinventing the business through a new marketing campaign or image overhaul.

Yes, these strategies cost money, but investing more money without a well-developed plan is not really a strategy — it's a Band-Aid.

If these efforts prove unproductive, many owners start to make serious mistakes in judgment. The most common response to such a situation is to battle on, a reaction driven by both fear and pride.

However, at this point a business owner must focus on what he stands to lose, not on what he may have already lost.

The decision to close the business is painful and dif-

ficult, but recognizing the problems early on can help avoid an unpleasant ending such as bankruptcy and the complete destruction of your personal credit.

### Voluntary liquidation

Voluntary liquidation of a business venture can be a viable alternative. You can fail “gracefully” and close your business the way it was run — with integrity.

A voluntary liquidation involves three steps.

First, meet with your accountant and attorney to inform them of your decision and seek their guidance.

Second, take inventory of all of your assets and have them appraised. This will give you a better idea of how much money

you may be able to generate with a controlled, planned liquidation.

Last, and most important, present a plan to each of your creditors consisting of a lump sum payment and/or payment plan proposal.

Many creditors will accept your offer in an attempt to avoid the legal expenses associated with collecting funds from a closed business.

Too often, there is a fine line between losing your business and losing everything you own.

When you are the owner of a business in distress, that line is often blurred. At some point, all things, good or bad, must come to an end and businesses are no exception. Don't risk your financial future on a business that cannot be saved.

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## investing

# What do you do with multiple 401(k) plans?

So far, life has been good to you. The career and family are thriving and your quest for a financially secure retirement has been going strong for decades.

You've remained a diligent saver and maxed out your contributions to the 401(k) plans offered through all of your previous employers.

You've left your mark at leading companies throughout your industry. But, you've also left your 401(k) plan assets scattered across the nation.

This is not necessarily a bad thing. But, you need to remember, just as you've successfully managed many other areas of your life, you must stay on top of your 401(k) assets as well.

In most instances, you will have four options when dealing with multiple 401(k) plans.

The first option requires

you to do nothing. You can leave the assets in an existing plan if the plan allows funds to remain after separation from service and it offers strong performing investments. The second would require you to roll them over into an IRA. The third option is taking a cash distribution, and the fourth would involve moving the assets to your new employer's plan.

### Leaving assets in your former employer's plan

Before you decide to leave assets in your former employer's retirement plan, keep in mind that you will continue to be limited by the plan's investment alternatives, which may not provide the flexibility you need to execute an effective retirement savings strategy.

If your investments in the plan are not allocated properly to reflect your risk tolerance, goals and time horizon, your savings might suffer from too much volatility or provide returns that are

inconsistent with your retirement income needs.

Keep in mind that even if funds are left in the plan after you leave service, the IRS will require minimum distributions to begin at age 70 ½. Failure to take the required amount can result in substantial IRS penalties.

### Rolling assets into an IRA

If you're changing jobs or retiring, the best decision is usually to roll the assets over into an IRA. Doing so lets you retain the funds' tax-deferred growth potential.

And to make managing your retirement assets more convenient, you can maintain all of your IRAs in one place, which makes it easier to analyze your overall asset allocation.

An IRA also offers a number of other benefits, such as possible conversion to a Roth IRA if you are eligible, access to your money when you need it (taxes and IRA penalties may still apply), and if structured properly, penalty-free

withdrawals before the age of 59 ½.

In addition, an IRA usually will provide more investment choices than those in the 401(k) plan. While you are permitted to take loans from your 401(k) plan, this is not possible in an IRA, and depending on the investments used to fund the IRA, charges and expenses could be higher or lower than those you would incur inside your 401(k) plan.

### Cashing out

This option should be a last resort. If you cash out each time you change jobs, you'll systematically erode one of your most valuable sources of retirement income. You also will owe income taxes on the amount you receive, and if you're younger than 55 when you separate from service, you typically will owe a 10 percent IRS penalty as well.

### Moving assets into a new employer's plan

Before you decide on this

option, make sure your new employer's plan permits transfers or rollovers from other types of plans before you proceed.

Also, be aware that transferred balances may not carry the same benefits provided under your former employer's plan, and the investment and distribution options of your new employer's plan will apply to the amounts transferred or rolled into that plan.

If your new employer does not offer a retirement plan, consider rolling your retirement plan assets into an IRA.

When it comes to multiple 401(k) plans, be sure to pick the option that's right for you. After all your hard work, you want to be sure to make the most of your investments.

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