

MONEY

What Women Should Know Before Starting Their Own Business

NewsUSA



(NU) - The number of women starting their own businesses continues to rise. According to data from American Express, women create more than 1,800 new businesses in the United States each day. As people reassess their careers and goals in the wake of the pandemic, more women are making the decision to start their own businesses and be their own bosses.

However, data from the Bureau of Labor Statistics show that approximately 20 percent of new small businesses fail in their first year. The most common reasons that small businesses fail include: a lack of capital or funding, inadequate management and/or a bad business model.

Fortunately, smart financial planning can help avoid these common pitfalls.

Based on interviews with successful women entrepreneurs, Scott Ward, a CERTIFIED FINANCIAL PLANNER™ professional, proposes creating a financial plan that incorporates three sequential stages of the entrepreneurial journey: the launch phase, the lead phase and the letting-go phase.

Launch. Ward advises women starting a business to transition into it, and not quit their day jobs just yet. This can be an effective way to manage cash flow. They should also pay themselves for their work and take a paycheck, maintain good credit and keep a close eye on their capital.

Lead. The lead phase is when business owners need to assess how to be leaders in their industries. Women who inherit existing businesses may need to innovate

and invest in employees with fresh ideas. Expanding businesses must also be aware of legal and financial hurdles.

Let go (or don't). Don't forget about succession planning. Even as you enjoy the success of your business, a financial plan can be especially helpful on all areas affected by succession -- including business transition, tax planning, investment strategies and estate planning.

When choosing a CFP® professional to guide the launch of a startup business, Lynn Ballou, CFP® reminds women to ask questions and make an informed decision. In addition to asking financial advisors the typical questions, women entrepreneurs may also want to ask them to share:

- A sample financial plan for a startup business,
- How privacy and cyber security are handled, and
- How to create a team of advisors (if needed) to address various elements of business, such as insurance or tax.

“You can ask these questions at your first meeting or send them in advance, so the planner is ready to address them when you meet,” Ballou says. “You might also find some of this information on the advisor’s website.”

If you are a female entrepreneur (or are interested in becoming one) and would like to collaborate further on a specific planning strategy, connect with a CFP® professional today. More resources and articles on small business planning and financial topics relevant for women can be found at Lets-MakeAPlan.org.