

EXERCISE

CALCULATE YOUR WEALTH GAP

LOOSELY CALCULATE YOUR WEALTH GAP

For many business owners, it is almost impossible for them to save their way to closing their Wealth Gap. Wealth Gaps are normally so large, they can only be closed by unlocking the wealth trapped in the business. This is one reason it is critical to have your business valued and prepare it for transition. If the current value of your business and your plan to harvest that wealth will not close your Wealth Gap, an integrated personal, financial, and business strategy is built to address how to close the Wealth Gap.

Take out a sheet of paper and grab a calculator. Write down the income you think you would need to support your lifestyle after you exit your business. If you're not sure, make an educated guess. Divide that number by 4%.

That is the amount of investible assets you would need to support your lifestyle after you exit your business while not reducing your principle. This would be your Wealth Goal at exit.

For example, if you thought you needed \$400,000 in post-business income and divided that by 4%, it would mean you would need \$10 million of investible assets to continue to support your lifestyle without the income from your business and without touching your principle.

Next, write down your current net worth, not including your business. Subtract that from your Wealth Goal of \$10 million. This is your Wealth Gap. For example, if you wrote down that your net worth not including the business was \$2 million, your wealth gap would be \$8 million (\$10M - \$2M).

A financial advisor will help you dial in this critical number. Your Wealth Goal will depend on what you want to accomplish after you exit your business and on your spending needs and wants. Both should be defined in a written Personal Plan and discussed with your Financial Advisor.