

THE FIVE PURPOSES OF A BUSINESS

Most of us have a "shelf life" as business owners... we have that certain age in mind where we want to retire with enough money to live comfortably and do the things in life that we have planned. We hope for retirement at a young enough age, and with good enough health, that we can have some years to enjoy it.

A large part of being successful in anything you do is to know where you are going. Think of the last time you had to drive to a new location. Did you take a roadmap or GPS? Did it make your trip easier? Most likely it did. Sure, you might make it to your destination without the help, but there's a greater chance that you could get lost along the way. A business is no different. You should start your business with the end (destination) in mind and plan in such a way to support the journey.

There are five things that your business should do for you:

1

Generate the income to support what you want to be doing

Most people think of income as how much they are making instead of determining how much income is needed (for retirement, college tuition for your children, making investments, paying off debt). When most people put pen to paper and truly evaluate how much income is required to support their goals, the number is typically much higher than they thought.

Rank:

2

Provide you with a quality lifestyle

Examine how many hours are you working versus how many would you like to be working. Is the pace that you are keeping conducive to being healthy? Are you spiritually fulfilled and able to give back to the community? A business should be the vehicle to create the quality of life you are seeking. The business should not be your life.

Rank:

3

Create wealth

Wealth is different from income. You can have a high income and little wealth. Wealth is your net worth in total assets (what you own minus what you owe). Your business should build the wealth to support things like purchasing real estate, investing, having equity in a business. You should utilize several methods to create a higher net worth.

Rank:

4

Give you equity

Equity is what you can sell your business for when you exit it. Many people reach a point where they wish to sell their business, only to realize they can't sell it for anything but the hard assets (equipment, etc). Structure your business to run with little owner involvement, a strong net profit, and with potential for growth. Prepare the business to be sold at least five years from the time you really wish to exit the business. Ask yourself what does the whole business (from profitability to growth potential, etc.) look like?

Rank:

5

Eliminate debt

There are two types of debt; positive (debt that you take on to acquire an asset that will overtime be paid down by the investment you made...a commercial building, for example) and negative debt (credit cards, debt that depreciates.. a car, for example). A business should allow you to eliminate all negative debt from your life

Rank:



Rate yourself from 1 to 10 (10 being the highest) in the Five Purposes of a Business. In the areas in which you need improvement, are you willing to make changes? If so, be committed to making the personal and professional changes needed to reach the income, lifestyle, wealth, equity and debt elimination necessary to supporting your retirement.