



## Wealth Management 101 Small Businesses Reduce Risk Though Education

*Members who run small businesses should spend a moment to browse this article before moving on with their day. Those who don't have a small business but are seeking additional income as a "Plan B" to the household income in the event of job loss should read on, as well.*

Helping small businesses (those who employ 99 people or less) succeed is crucial to the reinvention of the American economy. Small businesses employ 52 percent of people on private sector, non-farm payrolls. In addition, small businesses in the "green" industry have been growing at a rate of about 5% annually during the last three years. According to the Kauffman Index of Entrepreneurial Activity, a leading indicator of new-business creation in the United States, the number of new businesses created during the 2007–2009 recession years increased steadily year to year. In 2009, the 340 out of 100,000 adults who started businesses each month represent a 4 percent increase over 2008, or 27,000 more starts per month than in 2008 and 60,000 more starts per month than in 2007. So, new business owners are not alone.

Starting a new business, to some, seems fun and exciting while others perceive it to be a highly risky venture, particularly in today's economy. New business owners can reduce their risk substantially in several ways.

- **Surround yourself with a team of experts:** You may not be able to employ experts like a bookkeeper, CPA and attorney but at least contract with them or trade services with them to leverage their brain power on behalf of your business. The days of the Lone Ranger are gone.
- **Join a strong mastermind group:** This idea is based on the principles of noted business author Napoleon Hill (and emphasized by the English proverb "two heads are better than one" as well as in Ecclesiastes, 4:9, "Therefore two are better than one, for they may well enjoy the profit of their labor"). A strongly connected group of like-minded people who share their brainpower for the benefit of the individuals, and the group, are what make a mastermind group.
- **Plan for success:** Those who fail to plan, plan to fail. Running out of cash before becoming profitable is the most common cause of small-business failure, according to the National Federation of Independent Business. According to a study by the U.S. Small Business Association, only two-thirds of all small business startups survive the first two years and less than half make it to four years. Looking at many of the entrepreneurial research will tell us that implementing a solid business plan is the common thread of advice for beating those survival statistics. Without a plan, an owner has little idea where she's going and won't know when she's arrived where she wanted to be in the first place.
- **Go to school:** Small business owners don't need to invest the time and \$40,000+ it takes to earn an MBA, however, it certainly helps to know the basics. The major functional management skills needed to run a modern corporation, as well as specifics in accounting, quantitative analysis, economics, marketing and organizational behavior are what you typically learn in business school. However, the clever entrepreneur can learn a great deal from an experienced mentor and through the many affordable seminar options available.

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