

## **Couplepreneurs: Starting a Business with Your Better Half Can Reap Huge Rewards – And Unique Problems**

It's a familiar scene: A couple comes home after a long day at their respective workplaces. They spend their takeout dinner recapping the day and how much they hate their jobs. In a brainstorm, they decide to start a business where they'll be able to determine every step of their future from now on.

After all, they love each other – why shouldn't they be able to work *and* live together?

For many couples, this major decision is the ticket to wealth, self-determination and happiness. For others, it can lead to severe financial and relationship stress. Such a move takes more than planning – it requires a full assessment of your personalities and your money issues to determine whether working and living side-by-side is right for you. A good start is a visit to a trusted financial adviser.

Here are some key steps to consider:

**Give yourselves a timetable to startup:** You might be tempted to give notice tomorrow morning, but it's much wiser to lay out a timetable over the coming months with specific components:

**Study the viability of your business model:** Talk about worst-case scenarios. Bring in some trusted advisers to ask tough questions of what you're planning to do and the viability of your idea. Convincing each other you'll make it work isn't enough. You need to understand the marketplace you're walking into and the roles each of you will fill in its success. Most of all be realistic about your workload and when you can get breaks.

**Understand how your tax situation will change:** Depending which business structure you choose – and you should get tax and legal advice on this before you start -- you will need to plan for income tax and self-employment tax and payroll taxes, if applicable. Payroll tax requirements are more stringent than income taxes.

**Set a budget for your business and personal life:** A planner can help you establish a budget for supporting your business as well as your life at home that will make cash flow more predictable. Conserving cash is critical in the startup phase of any business so critical long-term goals can be met. Couples need an emergency fund of six months to a year of expenses since successful businesses take months or years to turn a real profit. And if the two of you haven't revised your estate plan to accommodate the business, it's time to make that plan now.

**Plan for your kids in the business:** There may be very cost-effective ways to employ children in the business for work commensurate with their skills.

**Get your insurance in order:** Before you leave your current employer, figure out the cost of insurance you'll need to take on for the entire family if you take on health, life, home, business, disability and if you're over 50, long-term care coverage. These expenses may be enough to encourage one of you to stay at your old job at least for a while to keep those benefits going while the other devotes more time to the startup.

**Set targets:** Talk through critical milestones of the business – both good and bad. Do a proper business plan with income and cash projections. Decide what factors would lead to expansion or closing your doors. If you're doing so well that potential buyers of the business start sniffing around, figure out a point in advance at which you'd sell.

**Talk about an exit plan if you break up:** It may be hard to imagine now, but a breakup of your relationship with no financial plan for the business can be devastating. Whether you're married or living together, a successful business is an important source of wealth, and you need to plan for the day one side of the relationship wants out and potentially wants to buy the business or be bought out. If one spouse put more capital into the business than the other, provisions should be made to safeguard that investment.

**Write it down:** Documents and legal covenants are important – make sure you have the right ones in place.

October 2007— This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by local member Bill Rodau, MS, MBA, CFP® at *Creative Financial Services*, 262-780-0870, [www.imfeeonly.com](http://www.imfeeonly.com) . The column is provided for your general information only and you should contact this planner or other professionals for specific advice regarding your unique situation.