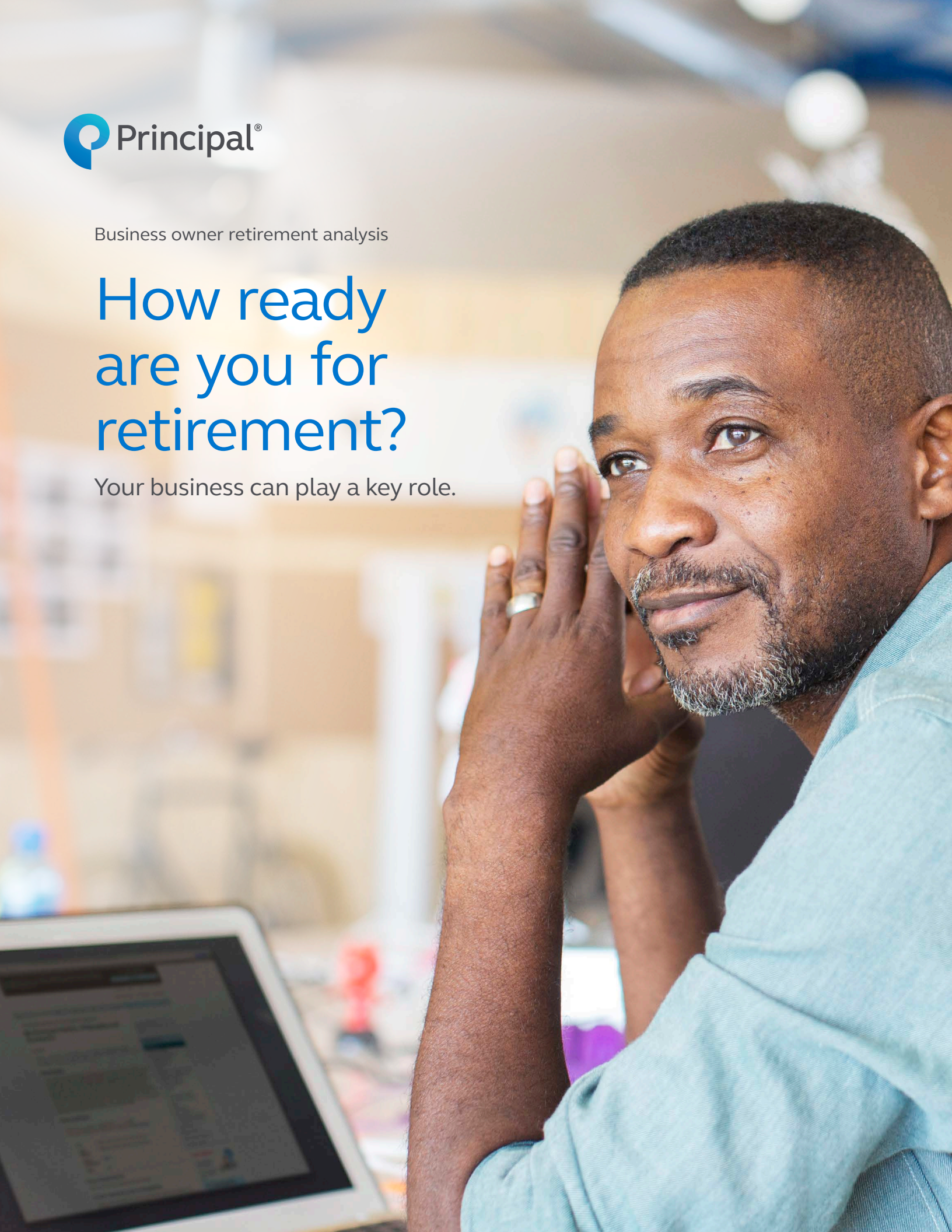




Business owner retirement analysis

# How ready are you for retirement?

Your business can play a key role.

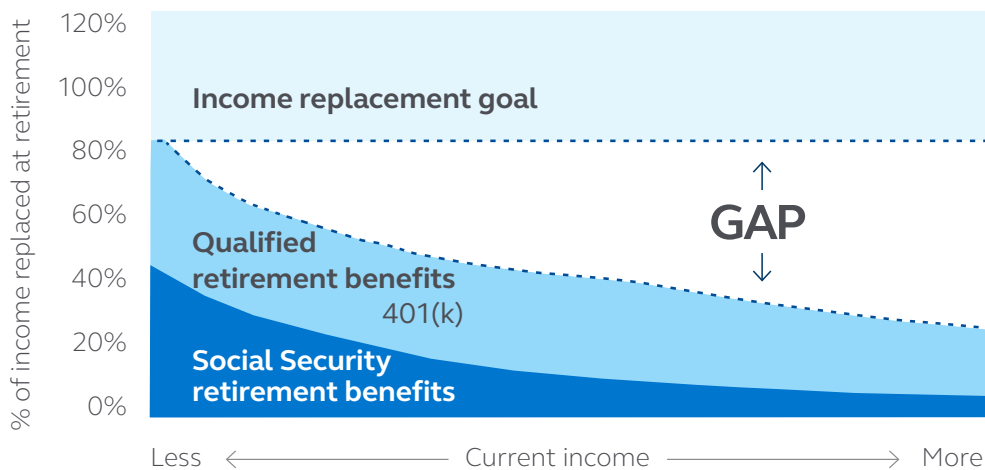


# What will it take to retire?

You've put a lot into making your business successful. Now it's time to think about the return you will get on your investment of time, money, and effort. With affordability being top of mind, are you wondering if and when you can retire?

You've likely heard experts say people need about 80 percent of their pre-retirement earnings to maintain their current standard of living during retirement. Where will that money come from?

You may be counting on a combination of Social Security, a qualified retirement plan such as a 401(k) plan, and your business. However, Social Security and qualified retirement plans can actually discriminate against business owners by placing limits on contributions, payouts, and tax advantages. This can result in a retirement income gap.



This information is from the Principal Financial Group® Replacement Ratio Calculator with source information from the Annual Statistical Supplements to the Social Security Bulletin ([www.ssa.gov](http://www.ssa.gov)). It is intended to demonstrate the potential impact of Social Security and 401(k) plan benefits at various income levels. For more information on your individual circumstances, please speak with your financial or tax professional. ©2023 Principal Financial Services, Inc.





# Your business holds the key.

You're in the unique position of owning a business, which can play a key role in your personal retirement. Depending on the value of your business, the strength of your buy-sell agreement, and proper funding, your business can generate income during retirement just like it does now. However, if you'd rather gift the business to your family instead of selling it, that's possible, too. All it takes is some careful planning.

Whether you've already started planning, or have just begun to think about it, the place to begin on your road to retirement security is with these three questions:

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## Retirement goal

What is your retirement income goal, and can you reach it with what you already have in place?

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## Business value

Do you know the value of your business?

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## Transition plan

Do you have a plan to transition out of your business?

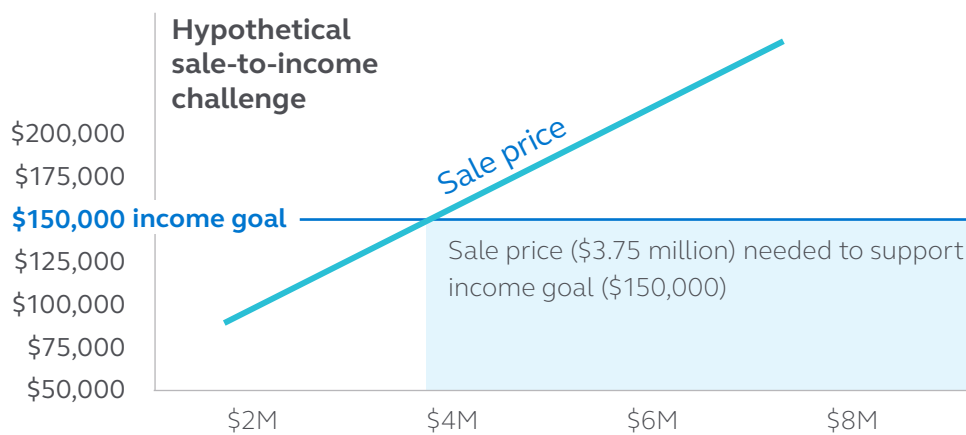
# Your retirement income goal

Consider your potential retirement income sources:

- Savings and investments
- Social Security
- Qualified plans
- Nonqualified plans

## › Sale of your business

Many owners assume the sale of their business will provide enough to keep them comfortable. But when it's time to sell, some find out the business isn't worth enough to sustain their income needs. In order to know where you stand, you need to consider the potential sale price of your business. Then you can plan accordingly.



For illustrative purposes only.

## The value of your business

Without knowing the current value of your business, it's difficult to know how much your business can contribute to your retirement income goal. Plus, not knowing the value can lead to roadblocks such as these:

- Retiring owners may not get fair value, or remaining owners may over-pay.
- “Motivated” sellers and sellers in liquidation are less likely to receive full value.
- Costly delays, arguments, or litigation among owners may ensue.

### We can help

An **Informal Business Valuation and Planning Report** from Principal® can offer valuable information and kick your retirement planning into high gear.

# A current transition plan

Have you identified to whom you want to transition your business? How about when and how the transition will take place? Once decided, it's important to document the details. If a sale is involved, a buy-sell agreement will help identify a buyer and a purchase price. This is critical for not only retirement planning, but also for protecting you and your family from planned or unplanned exits from the business.



Then ask **when**. Consider both planned and unplanned exits such as retirement, dissolution, death, disability, divorce, and termination.

Use the answers to **who**, **how**, and **when** to start developing your transition plan.

**We can help**

A **business continuation proposal** from Principal can walk you through transition options and help you work with your attorney to effectively document your intentions in a buy-sell agreement.

**If Yes...**

Even if you already have a buy-sell agreement or buy-sell provisions in your operating agreement, it's important to make sure it's current, well-funded, and accounts for all departures, including a mandatory purchase at retirement.

Determining the appropriate funding arrangement for the agreement is also important. It's best to address **when** the funding is needed and then **how much time** you have to fully fund for each scenario.

With those answers you can consider several funding options:

- Cash
- Installment sale
- Borrowing
- Insurance
- Savings

Each option has benefits and considerations, and no one method is always best. That's why evaluating your unique situation is key.

**We can help**

A **buy-sell review** from Principal will examine your current agreement and evaluate how effective it may be in protecting you from planned and unplanned contingencies.

# Do you have a plan?

Knowing the value of your business and having a current transition plan are important first steps in deciding how much you can rely on your business in retirement. You also need to consider how other savings and investments may effectively contribute to your income.

A detailed analysis can pull all of these factors together to help you evaluate your current plans and financial position. And you'll learn about strategies that can help you achieve retirement readiness.



This is where we can **really** help.

Request your complimentary **business owner retirement analysis** from Principal today. Ask your financial professional for this personalized report and take that first step toward the retirement you choose.



## About Principal®

Principal helps people and companies around the world build, protect, and advance their financial well-being through retirement, insurance, and asset management solutions that fit their lives. Our employees are passionate about helping clients of all income and portfolio sizes achieve their goals — offering innovative ideas, investment expertise, and real-life solutions to make financial progress possible. To find out more, visit us at [principal.com](https://www.principal.com).





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