



BUSINESS

Financial reminders for young entrepreneurs

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Atop many lists that rate entrepreneurial growth, you'll find our great home of Kansas City.

Many of our young trailblazers are building companies that serve both our local community and nations beyond, but starting a company and having it survive takes more than just a great idea. I spoke with several local entrepreneurs, who started their businesses young, to find out how they navigated the financial aspect of building their business, both personally and for their company.

Consider cash king

Each type of business (product, service, technology) will require a different amount of capital and may need more or less capital at different points in its start-up phase. However, cash is usually still king. When Shauna Huntington started her service-based company, Fortiviti (www.fortiviti.com), which provides an outsourced accounting department and back office to entrepreneurs, she required little capital as she was the sole employee growing her business with her computer and software.

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"I thought it was great how little capital I needed when I started," says Huntington, "but when we quickly started to grow and needed an office and team, more capital in reserves could have made for a smoother ride."

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Three common ways entrepreneurs get cash is by self-funding their business, acquiring capital from partners and others who want to invest in their business, or getting a loan from a bank.

Having sufficient reserves at the beginning helps you avoid being crushed by costs you weren't expecting, maintain a healthy cash flow before you're profitable, and have money set aside for growth when you don't really know what form that growth will take.

Huntington adds, "If you are looking for a line of credit or bank loan, go when you're financially healthy versus when you're struggling and really need the funds."

Put the oxygen mask on yourself first

Being an airplane passenger drills the saying into your head that if the cabin loses pressure, you need to put your oxygen mask on before helping others. The reason is because it's easier to help others when you're in a stable position. Hannah Rues--founder of ConciergeCare Inc. (www.conciergecareinc.com), a private healthcare navigation, transition planning, and advocacy service--quickly learned this mentality would actually help her company grow stronger.

"As a social worker starting a business helping people, it was difficult at first to charge clients or not discount our fees," says Rues. After someone told her that she had to do well so that she could do good, she realized her impact could be much greater if she did well. Once she had stable profits, her company built in a pro bono structure.

She adds, "I realize our impact is much greater now because we have had success rather than trying to help others while struggling ourselves."

Spend in the right places

When David Cotter first opened Prime Home, LLC (www.primehomekc.com) — a one-stop shop that helps homeowners with project management, handyman work, preventative maintenance and bi-annual inspections of their homes — he thought a heavy marketing strategy would be the key to success.

"I figured if I threw money at marketing, we would be off and running. Many dollars later and with no clients as a result, I quickly realized this was going to be a big challenge," says Cotter.

Spending money in the right places can be a challenge for young entrepreneurs who may not have much experience in the professional world. Unless you've worked in a company similar to the one you're starting, you may not have all the answers right away.

Trial and error may be necessary in some areas, but that doesn't mean you can't go into a situation with eyes wide open. Ask everyone you're considering hiring, including attorneys, graphic designers, insurance professionals, advertising representatives, and financial advisers, if they've worked with professionals in your industry and wherever possible, ask for actual results. You can gather a lot of valuable information by hearing about others stories and asking questions at every turn.

Plan for slow profitability

In a best case scenario for a new business, profit will come quickly. However, many great companies start slow and can take time to become profitable.

As business owner Dr. Sam Bittel states, "Balancing business finances with personal home finances is important, as both must stay afloat." Bittel co-founded Hearing & Balance Specialists of Kansas City (<https://www.hearingandbalancekc.com/>), a practice that specializes in the evaluation and management of dizziness, vertigo and imbalance, which has been a goal of his since becoming an audiologist.

Having a plan to sustain your standard of living or adjust your lifestyle for a period of time can help get you through as momentum for your business builds. This could include building your savings and emergency fund before you strike out on your own, relying on your investment income while your other sources aren't producing, reducing your personal expenses or divesting yourself of unnecessary assets.

As Bittel adds, "Although my initial financial preparations were sound, having more in reserves is always helpful."

Be flexible

Dirk Ochs, co-founder and COO of Athlete Network (www.athletenetwork.com) has experienced a lot of growth and change in his company during the 12 years it's been in business.

"Not many businesses start out and stay on the exact same path they thought they would," says Ochs.

What started as a business to bring employers together with athletes has blossomed into a network that connects athletes with resources that can impact many other areas of their lives.

Be flexible and adapt to what the market demands rather than spending money trying to force people to do something they don't want to or buy something they don't need. By listening to your customers, you may uncover needs that you didn't originally consider and have the ability to meet those needs, even if it wasn't part of your original business plan.

Your business is not a retirement plan

Before Kyle FitzGerald, co-founder of Life Equals (www.lifeequals.com/balance), a Roeland Park-based wellness brand and inventors of the Balance the Superfood Shot®, first started his company, he and his wife sat down to understand the risk involved in starting a business. They knew the importance of planning for their future and wouldn't let building a business derail their efforts.

"While building Life Equals, my wife and I contributed to our retirement fund. There are no good excuses for why someone should wait to save and prepare for the future," says FitzGerald.

Young entrepreneurs may forget to save for retirement or believe their company will be so successful that their retirement will be taken care of on its own. While some bank on becoming profitable enough to put money back into the retirement fund that they put on hold to build a business, others choose not to save at all, thinking they can sell their company to fund their retirement. These are both risky maneuvers. Business and economic factors may make your company unattractive to buyers at the time you need to sell. If you don't save, you miss out on market growth and compounding interest in your retirement fund.

When we asked our young entrepreneurs what the best pieces of financial advice they've received are, the tried and true, simple principles still hold strong:

"Save something every month; even if it's just a small amount, it's amazing how much you can stash away \$100 at a time." – Shauna Huntington

"Educate yourself on the difference between business credit and personal credit and what options financially are available to you." –Hannah Rues

"Spend below your means and save as much as possible." – Dr. Sam Bittel

"Plan as best you can, but don't be afraid to dive in even though you might not have all of the answers right away" – Dirk Ochs

"Manage your time as wisely and as carefully as you manage your money. Time is your biggest asset and if you spend it in the wrong places, you're setting yourself up for failure." –David Cotter

"Any business needs a certain amount of luck to succeed, but you can increase your chances by working as smart and hard as you can." –Kyle FitzGerald

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