

An entrepreneur's guide to wealth planning



Entrepreneurs often put off wealth planning because they're so busy with their businesses. Yet, it's a crucial part of protecting everything they've worked so hard for.

Consider Olivia, a serial entrepreneur with a couple of moderately successful startups to her credit (and more than one failure). Now nearing age 50, she is the founder and CEO of a currency trading platform that is her most successful venture by far. On paper, she's wealthy because of the value of her companies—but she won't realize most of her wealth until she sells them.

If an illness or an accident puts Olivia out of work, what would happen to her companies—or to her family's finances? Unfortunately, she just hasn't had the time to plan for these risks.

Olivia is fictional, but her story will resonate with any entrepreneur who hasn't yet created a wealth plan.

With the [right team](#), wealth planning doesn't have to be difficult or time-consuming. Here's how wealth planning can support the financial goals of entrepreneurs and their families at every stage of their business and personal life and prepare them for every possibility.

In 2022, U.S. entrepreneurs made [5.1 million new business applications](#), almost as many as 2021's record-breaking 5.4 million. There are a few key phases during which wealth planning for entrepreneurs can really prove its worth.

Why wealth planning is important for entrepreneurs

There are 33.2 million small businesses in America,¹ and each and every one of their ambitious owners can benefit from wealth planning. That's because their personal and business finances can be interconnected, but they aren't always at the same stage of growth.

There are a few key phases during which wealth planning for entrepreneurs can really prove its worth.

Growing your business

When launching and growing your startup, access to capital will likely be a priority. Wealth planning at this early stage can help you make smart decisions about financing and fundraising. For instance, should you borrow from your 401(k), use a home equity line of credit, or seek angel investors? If you take out a business loan, are the terms the best you can get?

Protecting your livelihood

Entrepreneurs are very often underinsured. One real-life case that the BMO team saw was an orthodontist with their own practice. While the business generated a significant amount of income each year, they alone were the business. If the owner had an accident and couldn't work, even for just a few months, there was no plan for retaining staff or meeting patients' needs—meaning the business could quickly lose all its value and fold. An advisor can help you put appropriate measures in place to protect your business and family.

Planning your exit

As an entrepreneur, your eventual exit strategy will probably be at the back of your mind well before you step back. To prepare, your wealth planner may focus on income replacement using cash flow modeling to make sure you have enough money to maintain your standard of living. A wealth plan can also incorporate succession planning to map out what you want to happen to your company, as well as potential strategies to reduce taxes.

Wealth planning for women

Female entrepreneurs earn 88 cents for every \$1 earned by men,² making it even more vital that women business owners harness the power of wealth planning to close the gap.

“Many women turn to entrepreneurship to gain financial independence, but as they build and grow their business, they put off thinking about themselves in a number of ways,” says Paloma Vidgen, BMO’s Lead for Commercial Women’s Business Development Strategy. Some women entrepreneurs, she notes, wait up to eight years³ to pay themselves. “So start with the basics, pay yourself fairly, start a savings and retirement plan, and protect your family.”

At BMO, we take pride in [advising women entrepreneurs](#), and our wealth planners have many years of combined experience doing so.

A 2023 survey found women entrepreneurs were **20% more likely** than men to launch a business based on their passions.

Personal and business wealth aren’t always aligned

Among entrepreneurs, personal and business finances are commonly intertwined. However, they may not be developing at the same pace. For example, a business may be maturing, but the entrepreneur cannot yet realize much wealth from the company. A serial entrepreneur may have significant personal wealth, but their latest business venture value may still be in the early growth stage.

Because they’re likely not perfectly in sync, business value plans and personal value plans need to be treated differently—but they will interact. Imagine two roads which sometimes cross each other, and a car traveling on each road at different speeds. When you have a wealth planner beside you who understands the journey you’re on, you reduce the friction and smooth the path.

Entrepreneurs should keep in mind that their personal and business value are interconnected. After all, well over half of company founders⁴ with up to four employees use their personal savings to grow their businesses. You probably also know that the two roads cross at least one key point: retirement.

It’s a common misconception that a retirement plan and an exit strategy are the same thing, but your retirement is just one part of your personal wealth plan. Your succession plan belongs in your business’s value plan. They certainly will speak to each other—your succession plan may play a big role in your retirement plan—but they are distinct and will be handled differently by your advisor, who can model different strategies to show you the financial implications of each.

42% of entrepreneurs started with **less than \$5,000** in cash reserves.

How a wealth plan changes with your business

Wealth planning changes as your business moves through different phases, from the startup stage to the exit. Your plan also helps you set and achieve goals for your personal wealth as it grows over time.

Here are some key questions to ask yourself at each key stage for your company:

Startup

- Where are the funds coming from to grow or maintain my business?
- Is there a plan in place for paying back funds—especially if something happens to the business or the owner?
- How intertwined are my personal finances with my business finances?
- Am I using personal and business accounts efficiently?

Growth

- How sound is my business plan?
- What’s my five- and 10-year plan for growth?
- How should I handle unpredictable cash flow?
- Am I missing out on any opportunities?

Mature

- Am I reactive or proactive as financial issues arise?
- Do I know the value of my business?
- What does my company’s leadership look like?
- What would happen to my business if something happened to me tomorrow?



Derek Garland serves as Director, Business Owner Strategist on the BMO BOSS–Business Owner Strategies & Solutions team, a specialized group of professionals that provides sophisticated wealth transfer, succession and transition planning guidance to business owners and corporate executives. Derek joined BMO in 2023 and has over 12 years of experience serving as a trusted advisor to high net-worth individuals and families. He partners regularly with colleagues in the BMO Commercial Bank to provide tailored advice and customized solutions to help business owners align their personal wealth planning strategy with the plans for their business. A key focus of this work is on exit strategies, legacy planning and managing family dynamics.

In transition

- What does the transition look like?
- What are my goals for my business: pass it onto family, sell it, go public?
- Am I ready to retire or move on to a new venture?

It's never too late to start wealth planning, but some strategies, such as a succession plan, can take several years to implement properly. You'll want to give yourself as much time as possible to achieve the best outcome, whether you're staying with the business in some capacity or moving on.

When family members from different generations are involved in your [succession planning](#), things can get complicated, and emotions can run high. A wealth planner can help you navigate those important conversations around family dynamics in wealth planning.

How a wealth planner guides you

Working with a wealth planner can help you maximize your wealth and the success of your business, all at the same time.

They can ensure your balance sheet is optimized based on what your business has accomplished and that any business borrowing is structured in a way that makes sense.

A wealth planner can create wealth planning strategies that align with your values. This might include advanced charitable strategies that allow you to gift some of your wealth through your business, for instance.

Ultimately, they can guide you through the process of building a strong wealth plan that flexes to meet every stage in your company's financial lifecycle, as well as your own.

Entrepreneurs often delay wealth planning because running their businesses consumes all their time; BMO wealth planners are well-versed in helping these over-scheduled entrepreneurs prepare for their exciting futures.

If you're interested in taking the next step to start your wealth plan, reach out to the BMO Wealth Management team to talk to a wealth advisor with experience helping business owners or to find tools to help you.



¹ [The State of Small Business Now](#), U.S. Chamber of Commerce, April 10 2023.

² [Entrepreneur Demographics and Statistics in the US](#), Zippia.com.

³ [The Nasdaq Entrepreneurial Center Shares Findings of Study on Pay, Ownership & Valuation Issues Affecting Women Entrepreneurs](#), Nasdaq Entrepreneurial Center, March 10, 2022.

⁴ [Small Business Index Q1 2023: The Voice of Small Business Owners](#), MetLife and U.S. Chamber of Commerce.

"BMO Wealth Management" is a brand delivering investment management services, trust, deposit and loan products and services through BMO Bank N.A., a national bank with trust powers; family office services and investment advisory services through BMO Family Office, LLC, an SEC-registered investment adviser; investment advisory services through Stoker Ostler Wealth Advisors, Inc., an SEC-registered investment adviser; digital investment advisory and financial planning services through BMO Direct Invest Inc., an SEC-registered investment adviser; and trust and investment management services through BMO Delaware Trust Company, a Delaware limited purpose trust company. These entities are all affiliates and owned by BMO Financial Corp., a wholly owned subsidiary of the Bank of Montreal. BMO Delaware Trust Company operates only in Delaware, does not offer depository, financing or other banking products, and is not FDIC insured. You must be an existing customer of BMO Bank N.A. and enrolled in BMO Digital Banking to qualify for services from BMO Direct Invest Inc. Not all products and services are available in every state and/or location. Family Office Services are not fiduciary services and are not subject to the Investment Advisers Act of 1940 or the rules promulgated thereunder. Investment products and services are: **NOT A DEPOSIT–NOT INSURED BY THE FDIC OR ANY FEDERAL GOVERNMENT AGENCY–NOT GUARANTEED BY ANY BANK–MAY LOSE VALUE**. Capital Advisory Services are offered by a division of BMO Bank N.A. Member FDIC

This information is being used to support the promotion or marketing of the planning strategies discussed herein. This information is not intended to be legal advice or tax advice to any taxpayer and is not intended to be relied upon as such. BMO Bank N.A. and its affiliates do not provide legal advice or tax advice to clients. You should review your particular circumstances with your independent legal and tax advisors.

The opinions expressed here reflect our judgment at this date and are subject to change. Information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy. This publication is prepared for general information only. This material does not constitute investment advice and is not intended as an endorsement of any specific investment.