



# Financial Adviser

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## How to Reap the Most from Professional Advisers *Fail to Plan, Plan on Failing*

Following a recent four-hour planning session, a closely held business client reminded my fellow colleagues and I of the old axiom – “Fail to plan, plan on failing.” Given the competitive nature of business, the high cost of startup capital, the confounding array of tax laws and the ever-changing financial markets, the difference between failure and success often lies with closely held business owners who invest in upfront planning with their professional advisers.

While advisers traditionally are technicians, their most important job can be to just listen to and support clients with common sense advice that promotes a trusted advocate relationship. In a sense, they serve as a personal business coach, psychiatrist and confidant.

This is true whether companies are in the startup, operational or succession stages. Larger corporations usually have in-house specialists whose job is to plan – for such activity as operational and financial matters, capital transactions for mergers, acquisitions, capital expansions, tax and compliance law matters and budgeting/forecasts.

The plain truth is that smaller businesses should develop strategic plans with outside help. Too often owners say they are too small and cannot afford the luxury. In our experience, using another maxim, this is penny wise and pound foolish. Successful businesses find a way to surround themselves with a team of advisers who complement in-house talent and build your vision for the future.

Generally, closely held business advisers include a certified public accountant, lawyer, insurance agent, financial planner and/or banker. CPAs typically are in a position to understand the total operational picture of an enterprise and can take the lead in orchestrating the team.

### Here are some examples:

**Startup companies** need to plan for business plan development, entity selection, tax compliance issues (federal, state and local), and accounting system design and implementation. Additional discussions over entity selection, operational agreements and ownership contracts can be raised separately with legal counsel, while financial plans can be developed by insurance and banking professionals. A common mistake for startups is to skip steps in the

process or avoid engaging professionals under the guise of thriftiness. This typically results in poor decisions and can require spending additional dollars later to unwind messy entanglements.

**Growing and/or mature companies** should consider strategic plans to preserve stability of market share or growth; improve financial condition; develop acquisition or merger plans or, in some cases, prepare exit strategies. Businesses need to use their CPA's experience and knowledge because of the accountant's knowledge of the company's industry, profitability, tax aspects and the owners' personal circumstances. This also can include value-added services in estate and trust planning, succession planning, business plan development services and valuations. Yearly tax and financial business planning is a must because complex tax laws governing doing business in other states or countries mandate proper planning. The actual tax return preparation, for example, is just the logical conclusion of a successful tax plan. There should be no surprises come April 15!

**Real world examples** have included planning on the structure of the sale of a beverage company franchise through a “like-kind exchange,” effectively deferring more than \$250,000 in taxes. A manufacturer used planning to restructure bank debt, saving thousands of dollars in working capital over the next decade. As well, a building supply wholesaler relied on planning to successfully structure the “split off” of several operating divisions to help the owners resolve both business and succession issues.

The expense to utilize professional experts should be viewed as an investment opportunity for increasing future profits and saving money by cutting operational costs or taxes. No business is too small to plan, and the peace of mind that results is beyond value.

*Charles A. Deluzio, a partner in charge of Malin Bergquist's Greensburg, Pennsylvania office who heads the firm's closely held business advisers niche, also contributed to this article.*

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