

# BUSINESS DIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



## Are you board-ready?

**Overseeing a nonprofit is an honor that comes with potential liabilities**

There's a certain nonprofit organization whose work you're passionate about, and you'd like to take the relationship to another level – as a member of its board.

This is an opportunity to be a leader in your community, do work with purpose and expand your network, and it will look great on your LinkedIn profile. Plus, you know the basics: You'll need to further the group's mission through fundraising, advocacy and governance, making sure management is doing its job. What else is there to think about?

### TAKING STOCK

First, you'll need to set aside some time. The average board holds seven meetings a year, at about 3.4 hours

each, according to nonprofit group BoardSource. The average length of a member's term is three years, and in general the position is unpaid – only 3% of the nonprofits surveyed offer an honorarium for service.

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### SEEKING A BOARD SEAT?

These sites might turn up an opportunity.

*Boardnetusa.org*

*Volunteermatch.org*

*LinkedIn.com*

*Idealist.org*

*Bridgespan.org*

## Are you board-ready? (cont.)

Also, you'll need to think of what resources and skills you can dedicate. In a 2015 BoardSource survey, 42% of board members provided names of potential donors to receive letters and calls, and 22% met with prospective donors face-to-face. Nearly 70% of nonprofits also require a personal contribution.

### KEEPING IT ON THE UP-AND-UP

Next, it's time to think integrity. As a board member, you have an obligation to put the interests of the organization ahead of your own and avoid any conflicts. For example, if you have a direct financial relationship to the nonprofit (such as being its landlord or legal counsel), serving can pose a risk.

Also good to know: You can be held personally liable for decisions made on behalf of the organization. If a nonprofit doesn't pay enough in payroll taxes for its employees, for example, the IRS can hold the board negligent. To guard against this risk, ask about the group's liability insurance and possibly secure your own insurance policy as well. Once you're on the board, review financial statements and budgets with care to ensure good stewardship.

### GIVING WITH CONFIDENCE

It's not unheard of for a board member to be asked to cover a budget gap at the end of the year. Avoid surprises by asking upfront how much you're expected to donate, and run that

figure by your financial advisor to ensure it fits with your financial plan. With proactive planning, you can avoid getting in over your head.

If you were recruited because of your skill set rather than your wallet, it may be possible to use in-kind services toward your required donation. If you were tapped because of your extensive contacts in the community, bringing in big donors might be enough of a contribution.

### GAINING A GREATER PURPOSE

Working for a mission you believe in can enrich your life and future career prospects. However, it's important to weigh whether you're truly up for board membership. Your advisor can help ensure you are financially prepared for this important endeavor and help you coordinate with other members of your planning team. ■

#### NEXT STEPS

Talk to your professional team about:

- Budgeting for donations
- Risk management strategies
- Insurance coverage

#### DUE DILIGENCE TO-DO'S



- Review annual report, recent financial statements, and staff and board organization charts.
- Get to know the current board members and their affiliations.
- Request a description of board member responsibilities.
- Ask how much you're expected to donate.
- Review a schedule of board meetings.
- Request a program site visit.
- Ask about liability insurance.



## 7 year-end tax tips

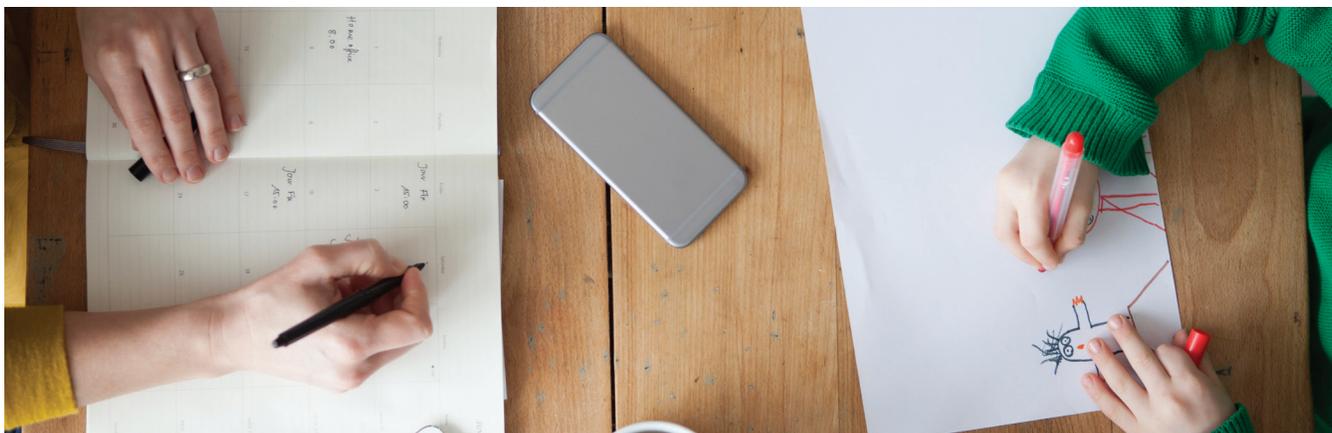
The end of the year is approaching, and so is another tax season. The good news is that some of the uncertainty about deductions for small businesses has been lifted this year thanks to the Protecting Americans from Tax Hikes (PATH) Act, which Congress passed in late 2015. Here are some ways to square your bill so you – and your business – will benefit.

1. **Consult the pros.** Because the rules are complex and ever-changing, it's a good idea to schedule a meeting with a knowledgeable accountant and your other professional advisors, who know your specific financial situation.
2. **Maximize depreciations via Section 179.** This tax break, extended in the PATH Act, allows your business to deduct the price of qualifying equipment or software purchased or leased during 2016. The expensing limitation is \$500,000 and applies to items including office furniture and vehicles. Then there's bonus depreciation, which lets business owners depreciate 50% of the cost of new equipment purchased and placed into service in 2016. This provision was extended through 2017 and can be used in conjunction with Section 179. Learn more at [IRS.gov](http://IRS.gov).
3. **Discuss whether to defer income and accelerate deductions.** There are several ways to put off income into the next tax year and increase deductions now if you expect your income to be at the same or a lower rate next year. For example, you can plan to send your bills out a few days later in the last month of the year, which means getting paid a few days later in January of next year. You can also prepay some bills to take the deduction now.
4. **Consider a retirement plan redesign.** If your business has changed significantly since you first started a retirement plan, it's a good idea to make sure this important employee incentive is still the right fit. There are several options to choose from, including SIMPLE IRAs, profit-sharing, and safe harbor 401(k)s. A qualified plan offers a deduction for your contributions, and you defer tax on earnings on contributions.
5. **Reconsider your business structure carefully.** Some businesses can gain an advantage by changing the ownership structure. Owners with an LLC can still elect to be taxed as an S-corporation retroactively at year's end.
6. **Find the silver lining of a net operating loss.** If your business losses exceed your income for the year, the excess loss can lower your income and cut your tax bill in another year. You can apply the loss to prior years' taxes and get a refund or use it in the future. The rules and formulas for this maneuver are complex, so make sure to consult an expert.
7. **Check changes due to the Affordable Care Act.** Businesses that have fewer than 25 workers and cover 50% or more of health premiums might qualify for the Small Business Health Care Tax Credit.

Keep these tips in mind at tax time and keep your accountant and professional advisors up to date on any changes to help make the best decisions for your business. ■

**NEXT STEPS** Don't hesitate to talk about some of these strategies with your advisor and your accountant.

- Retirement plan redesign
- Budgeting for equipment purchases
- A holistic view on personal and business finances



## Making a life, not just a living

Serial entrepreneur Brian Scudamore knows how easily the wheels can fall off for business owners. “My marriage was over. I was working on my first company, 1-800-GOT-JUNK?, to the point of exhaustion, but it wasn’t growing. Add to that co-parenting a newborn baby, and I was on track for total burnout,” he wrote of his life 12 years ago in *The Wall Street Journal*.

He turned his situation around by taking every Friday off for biking, spending time with family, cooking and other hobbies. “I realized I had to stop trying to keep up with everything and start focusing on the right things.”

### THE POWER OF FOCUS

That advice is echoed by Charles Duhigg, author of *Smarter Faster Better*, who warns not to fixate on a goal without asking if it’s the right one. He suggests writing to-do lists that break goals into short, concrete steps. This approach, pioneered by GE and imitated throughout the business world, is a proven way to boost productivity.

Productivity expert David Allen has another suggestion: If a to-do item can be dealt with in two minutes or less, tackle it immediately. Such “small wins” can build to something larger, and give us the energy to keep going.

### A TEAM YOU CAN TRUST

Even at the leanest of startups, there comes a point when you’ll need to hire employees to take some of the burden from you. At a small business, it’s critical to hire someone who not only has the specific skills you need, but is also a self-starter. Micromanaging is counterproductive – when people feel a greater sense of control over their work, it boosts motivation, Duhigg says.

It’s also important to foster a culture of commitment – let your employees know that you’re committed to their growth and development. Offering flexible work arrangements, 401(k)s and other perks that make employees happy can help retain the talent you’ve recruited.

### TAKING TIME TO UNPLUG

With the right team in place, you can take the time you need for yourself – and it can actually enhance your venture. “When I’m away from the office, things have time to marinate. Connections bubble up and often turn into big, business-changing ideas,” Scudamore says.

Giving yourself permission to take a break is key, whether you need a six-week vacation off the grid or a mini-break to clear your head. Studies have shown that working long hours doesn’t seem to result in getting more accomplished – but it does have a negative effect on well-being.

### BREAKING THE CYCLE OF OVERWORK

It’s time to create a new cycle as a business owner: prioritize your most crucial tasks, engage your team, then rest. At the end of the day, your work – and your life – will be better for it. ■

#### NEXT STEPS

To help your business run more smoothly, ask about:

- Creating retirement plans and other employee incentives
- Investment strategies
- Budgeting for vacations
- Goal-based planning