

The Guide to

Owning a



PROSPERWELL™
FINANCIAL

Business

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Introduction

I always knew I would own my own business, I just did not know exactly what it would be. My mom owned her own business so I grew up with that aspiration. Once you become an entrepreneur it is hard to turn back. But knowledge is as important as having that burning desire deep down to be your own boss. When you turn your passion into knowledge and then into action, that is when amazing opportunities occur.

At Prosperwell Financial, our mission is to coach, mentor and inspire you to achieve financial independence and happiness and we would love to help you with your investing and financial planning. In addition to helping you with your financial plan and investments, we are here to help you with any of the following:

- Brainstorm and get a financial plan in place for your business and your future.
- A complimentary asset allocation review of any investments. You can send us your investment account statements and we will give you an analysis and our opinion at no cost.
- Analyzing your insurance such as Life, Disability and Long-Term Care Insurance. We can review your current policies or get you quotes for a new policy. We can also help you analyze the proper amount of insurance.
- Send us your Social Security statement for a Social Security Analysis.
- Setting up an individual retirement account such as a Traditional or Roth IRA.
- Setting up a 401(k), Simple IRA or SEP IRA for your business.
- Roll over your old 401(k) and consolidate your accounts so it makes it easier to manage your money.

If you have any questions about the information in this packet, would like a second opinion on your investments or would like to start planning for your future, please call us at 763-231-9510 or reach out via our website at www.prosperwell.com.

Sincerely,

Nicole

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Wealth Advisor, RJFS

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Four Things I Learned From Starting a Business

Growing up I watched my mom own a business. I watched her work all the time but she also made time to be at all my school events and activities. So naturally, I wanted the same thing. I always knew I wanted to own my own business. I have so much fun being a business owner. Don't get me wrong, I don't enjoy the sleepless nights but, over the years I have learned so much and it all has been worth it. So, here are my top 4 things I have learned from owning a business:

1. Take risks when you are young. Janet Dolan the former CEO of Tenant said these wise words to me when I was young. These six words together have been a huge inspiration for me and were the nudge I needed when we as a company made a major change. Those words were the extra nudge I needed when I took the leap of faith to buy a large commercial building. When we take risks, we boost our confidence. We push the envelope. We grow. We become the best version of ourselves. When you are young you have more time to bounce back, more time to make mistakes, more time to recover. So, the sooner you take a risk or take the leap of faith, the better. I'm not saying to be reckless and do something without thinking it through. Like if you want to start a business, do it on the side while you have a job. Always take the risk but always have a safety net.
2. Manage your growth. Don't spend money you don't have. Don't mortgage your house to start a business. Have a plan and projections. I love to help people by thinking of the "what if's" in life. What if you lose your job? What if you lose your spouse? What if you get in an accident? Once you are able to answer the "what if's" in life, you are able to work on your long-term goals. Answering the "what if's" can be your plan to help you grow as well as to be able to manage the growth of your business.
3. Celebrate your successes. No matter how big or small the success feels or is. Celebrate. It is like when you are preparing to run a race, celebrate each milestone. I learned over the years if you stop to celebrate your successes you will be more motivated to work harder and you generally will be able to work even harder and have even more successes. Set those small goals and once you achieve those milestones, take yourself to spa, open a bottle of wine, etc. Celebrate your growth and reaching those goals.
4. Be a sponge for knowledge. Attend conferences. Learn. One of the best books I have read for my business is *Traction* by Gino Wickman. This book was a game changer for me and a game changer for my business. It focuses on processes and tracking to help run your company and have your team focus more on growth. It lays everything out for you with action steps that you can take to immediately implement into your business.

These are just 4 things that I think are vitally important. The list could be endless of all the mistakes and things I have learned. For every day I grow and learn as a business owner. That is the magic and the beauty of it. Make mistakes and learn from those mistakes. Seek the growth that you want and go make it happen. You got this!

Business Startup Checklist

Phase One: Initial Start Up

- Find a mentor
- Create a business plan
- Define your “niche” or unique selling point
- Figure out the money
- Select a Name and Legal Structure
 - Sole Proprietorship
 - Partnership
 - Limited Liability Company (LLC)
 - Corporation or S-Corporation
- Obtain any needed licenses and permits
- Register web domains and trademarks
- Obtain your Employer Identification Number (EIN)
- Open a Company Bank Account
- Get Business Insurance

Phase Two: Start Working

- Begin branding
- Lease office, warehouse, retail space or set up your home office
- Create your website and social network accounts
- Line up suppliers and service providers
- Set up an accounting and record-keeping system

Phase Three: Start Growing

- Systemize and organize
- Hire employees
- Get the word out – Start networking and marketing!

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Budgeting and Cash Flow

Budgeting. That dreaded word. Most of the American population does not have a budget. Budgeting for you personally as well as your business is not fun but something that we believe is extremely important. When you have a budget, you spend money on the things you truly need and want. You spend money consciously and truly where you want your money to go.

Do you often wonder where all your money goes? Having a budget and tracking where your money goes can be very beneficial to achieving your financial goals. We often do not realize how all of the little things add up. A coffee here and a dinner there all add up and take away from money you could be saving. Have you ever had a \$20, \$50, or \$100 bill in your pocket and a couple days (or hours) later it is gone and you don't have anything to show for it? Tracking what you spend for a month or couple of weeks could be an eye-opening experience. You might see some things that you don't necessarily need and could eliminate from your monthly expenses. All those little amounts combined could be saved and put toward achieving your financial goals for the future. So, this month try to track your spending and see if you need everything you buy.

There is truly a difference between a want and a need. You want to really stop and ponder before you buy something and determine if it is a want or a need. We have a budget worksheet that we have developed over the years to help you with your budget. The easiest way is to take this budget worksheet and to start from today forward and truly write down everything you spend.

The pages that follow include our budget worksheet. This is a budget for you personally. The best way to budget for your business is by using a software program. I personally like Quickbooks. When it is complete, send it to us and we can give you some ideas as well as to where you can cut back on your expenses. Completing this budget worksheet is the first step in awareness of where you are spending money and you may be able to find areas to cut back.

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Budget Worksheet

Expenses:

Living Expenses:

Mortgage/Rent:	_____
Heloc:	_____
2 nd Property:	_____
Investment Prop:	_____
Home Insurance:	_____
Property Taxes:	_____
Assessment:	_____
Condo Fees:	_____
Dining Out:	_____
Lunch at Work:	_____
Groceries:	_____
Bedding/Linens:	_____
Pet Expenses:	_____
Postage:	_____
_____	_____
_____	_____

Home Maintenance Expenses:

Furniture:	_____
Interior Repairs:	_____
Home Supplies:	_____
House Cleaning:	_____
Decorating:	_____
Lawn Mowing:	_____
Landscaper:	_____
Snow Blowing:	_____
Furnace Filters:	_____
Garbage:	_____
Security System:	_____
Water Softener Salt:	_____
Tree Trimming:	_____
Spring/Fall Cleanup:	_____
House Painting:	_____
Gardening:	_____
Plumber:	_____
Room Maintenance:	_____
Irrigation:	_____
Pest Maintenance:	_____
Water System:	_____
_____	_____
_____	_____

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Personal Expenses:

Clothing: _____
Hosiery: _____
Shoes: _____
Haircuts: _____
Beauty Salon: _____
Jewelry: _____
Beauty Supplies: _____
Massage: _____
Manicure/Pedicure: _____
Alterations/Repairs: _____
Dry Cleaning: _____
Spousal Maintenance: _____
Personal Trainer: _____

Utilities:

Electricity: _____
Gas: _____
Water: _____
Phone: _____
Cable TV: _____
Cell Phone: _____
Long Distance: _____
Pager: _____
Voicemail: _____
DSL/Internet: _____
Sewer/Septic: _____
Firewood: _____

Transportation:

Car Loan/Lease: _____
Gas: _____
Car Insurance: _____
Vehicle Tabs: _____
Car Washes: _____
Oil Changes: _____
Parking: _____
Maintenance: _____
Repairs: _____
Bus Pass: _____
Bikes: _____
Car Savings: _____



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Medical:

Doctor Visits: _____
Health Insurance: _____
Eyeglasses/contacts: _____
Dental: _____
Medications: _____
Medicare Supplements: _____
LTC Insurance: _____
Life Insurance: _____
Disability Insurance: _____
Vitamins: _____
Non-Reimbursable: _____

Recreation:

Hobbies: _____
Relaxation: _____
Sport Activities: _____
Vacation: _____
Theatre: _____
Sports Events: _____
Movies: _____
Entertainment: _____
Home Entertaining: _____
Boat Expenses: _____
Boat Insurance: _____
Watercraft Expenses: _____
Watercraft Insurance: _____
Pool Expenses: _____

Memberships:

AAA: _____
Golf Club: _____
Country Club: _____
Sam's Club: _____
Costco: _____
Golf League: _____
Bowling League: _____
Other Leagues: _____
Health/Fitness Club: _____
Fish/Hunt Licenses: _____
Union Dues: _____



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Debit/Credit Cards:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Savings:

401k/457/403b:	_____
Roth/Traditional IRA:	_____
Deferred Comp:	_____
Liquid Money:	_____
VUL Insurance:	_____
Annuity:	_____
Spending Money:	_____
529/Ed IRA/UTMA:	_____
_____	_____
_____	_____

Miscellaneous:

School Expenses:	_____
Paper/copies:	_____
Laundry:	_____
Cards/Gifts:	_____
Donations:	_____
Travel:	_____
Cigarettes:	_____
Alcohol:	_____
Magazines:	_____
Books:	_____
Accountant Fees:	_____
Financial Fees:	_____
Attorney Fees:	_____
Income Taxes:	_____
Safe Deposit Box:	_____
Newspapers:	_____
Agent Fees:	_____
Promotion Fees:	_____
_____	_____
_____	_____



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Kids Expenses:

Clothing: _____
Shoes: _____
Food: _____
Transportation: _____
School Expenses: _____
Cell Phone: _____
Lunch Money: _____
Personal Supplies: _____
Haircuts: _____
Babysitter: _____
Nanny: _____
Child Support: _____
Day Care: _____
Diapers: _____
Diaper Service: _____
Medical: _____
Summer Camp: _____
Activities: _____
Lessons: _____
Parenting Consultant: _____
Supervision: _____
Allowance: _____



TOTALS:

Total Income: _____
Total Expenses: _____
Income minus Expenses: _____

Financials – What you should know

Starting your own business can be extremely scary. To start with, you want to know the ins and outs of cash flow on a daily, monthly, quarterly and yearly basis. You also want to know about buying assets, what things you should pay for and what costs you should not spend the money on in your business.

Now that you have a budget, the next thing is to look at where you spend your money. Take insurance, for example. You could spend a lot of money protecting every asset and almost every aspect of your business but is this truly cost effective? No, it's not. You could also spend every dollar that you make on marketing but if you don't make any money, it's probably not worth it. The first place to start is to develop a strong budget for your business and realize that it does take a lot of time and money to get your business off the ground. You also want to have a good accountant, Wealth Advisor, attorney and banker. All of these individuals can help keep you on track.

If you have employees, you also need to think about benefits. There are the benefits of health insurance, life insurance, disability insurance, and retirement benefits. A few basic questions about retirement benefits you should ask yourself include:

- Are you paying too much for plan administration services for your qualified retirement plan?
- Are you spending too much time administering the retirement plan?
- Does your current plan have trouble passing discrimination testing?
- Does your plan offer employees enough investment options?

If you don't know the answer to any of the above questions, it's time to continue to the next section.

Retirement Plans

Beyond setting up a retirement plan you also want to look into what kind of health, life and disability insurance you could offer that is to your best benefit and that of your employees. Most of the time, adding benefits can be costly for business owners. You may want to consider setting up a retirement plan last, for it is the most expensive. Most business owners first start with offering health insurance, then life and disability insurance. After those plans are in place a business owner should look at a retirement plan.

For retirement plans, most business owners start with a SEP IRA simply because it's cost-effective and easy to set-up. SEP stands for simplified employee pension; it's for self-employed individuals. The money that you contribute to the SEP IRA is also another deduction for you on your tax return. When the funds are withdrawn out of the accounts after the age of 59 ½, these dollars will be taxed at ordinary income levels – state and federal taxes. Having employees, all of them must receive the same benefits if eligible. Instead of the SEP IRA you could set up a SIMPLE IRA or even a 401(k) plan, but you want to compare costs and options and what is best for your business. Remember, having the added benefits can attract greater talent to your business.

If you have goals as a business to grow, and have a number of employees, you may want to look beyond the SEP IRA and at your other options.

There are many different types of retirement plans that you can set up as a small business. Look at your other options which include but are not necessarily limited to the 401(k), SEP IRA, SIMPLE IRA, money purchase plan, pension plan, profit sharing plan, ESOP, etc.

Insurance and Protection Planning

Owning a business can be completely daunting and overwhelming. Once you have a business plan and a financial plan, it is important to look at your protection planning and succession planning

1. As we discussed in the last section, the first place to start is to make sure you have adequate protection and also consider offering benefits to your employees:
 - a. Health Insurance
 - b. Insurance for car, home, valuables
 - c. Umbrella insurance policy
 - d. Disability Insurance
 - e. Fraud/Identity Theft Protection

2. Not only do you want to look at insurance for your business and your employees, but you want to, based on your situation, determine the type of insurance that is needed for you personally:
 - a. Life Insurance – This policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon your death. Too many people are talked into paying too much for life and disability insurance, whether it is by adding these coverages to car loans, buying whole life insurance policies (when term life insurance makes more sense), or buying life insurance when you have no dependents. However, it is important that you have enough insurance to protect your dependents and your income in the case of death or disability. Review the insurance policies that you have and stay informed on what kind of policy you have, if you are paying too much for the policy consider getting a new life insurance policy. The trick is to have the right amount, but not pay too much for it. Don't even cancel a current life insurance policy until the new one is in place.

 - b. Long Term Care Insurance – This is designed to cover long-term services and support, including personal and custodial care in a variety of settings such as your home or facility to assist with activities such as bathing, dressing or eating. Most people start to decide whether they need long term care insurance in their 50's or 60's and that is often times too late! If you really want to feel secure, make sure you have solid plans in place for your future.

 - c. Disability Insurance – This type of insurance pays some or all of your salary if you become disabled and unable to work. Keep in mind that this type of insurance can be expensive and you need income in order to purchase it. Disability insurance usually will cover up to 65% of your income if you become disabled.

 - d. Umbrella Insurance – This is extra liability insurance. This type of policy is designed to help protect you from major claims and lawsuits and as a result it helps protect your assets and your future. For example, if an accident occurs at your home, this type of insurance will prevent you from paying out of pocket for that person's medical or legal bills if you are found responsible.

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3. Now is a great time to work on your estate planning. Helping to protect your assets could be setting up a health care directive, durable power of attorney and a will or a trust. Getting help protecting your assets doesn't just help you but also those who are your beneficiaries. If you need a referral to an Estate Planning Attorney, please contact us at 763-231-9510.
 - a. Will – A written document that indicates how your property will be distributed at the time of your death. It is revocable and subject to amendment at any time during your lifetime. It also allows you to appoint a guardian for your minor children.
 - b. Living Trust – This provides lifetime and after-death property management. If you are serving as your own trustee, the trust instrument will provide a successor upon your death or incapacity. Court intervention is not required. These are used to manage property.
 - c. Health Care Directive – Specifies what actions should be taken for your health if you are no longer able to make decisions for yourself.
 - d. Durable Power of Attorney - You can designate a durable power of attorney for your financial affairs. As with a health care proxy, a durable power of attorney can specify how you want your financial affairs dealt with in case you become disabled or suffer a serious illness and designates someone who can make any financial decisions on your behalf. A big advantage of this “financial proxy” is that it can help prevent your loved ones from having to go to court to request guardianship over your financial affairs if you become incapacitated. This arrangement can also give the person the ability to pay your debts, manage investment transactions and even make charitable gifts that could help reduce your estate taxes.
4. Succession Plan. The last piece is your succession plan. If something were to happen to you, what would happen to your business? Your employees? That is why it is important to have a solid succession plan in place.
 - a. Buy-Sell Agreement. A buy-sell agreement is a legal document for your business that helps answer some of the many “what if” questions. What if there is a death of a partner? What if there is a divorce? What if there is a partner that is disabled? A buy-sell agreement is an important document to have in place, along with the insurance necessary to protect the owners and the business. We had a client that was in a business partnership and passed away. There was a buy-sell agreement in place. The buy sell agreement was funded with life insurance. So, when the partner passed away, the life insurance money went to the other partner to allow the business to buy out the spouse of the partner that passed away. The business stayed intact and the spouse still received a benefit.

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Conclusion

“Never underestimate the power you have to take your life in a new direction” – Germany Kent

Congratulations! At this difficult time, you have taken a big step for your financial future. We highly encourage you to keep on this path and re-evaluate your budget and cash flow as your situation changes.

At Prosperwell Financial, we believe that life is not just about money, but instead it is about doing things that truly make you happy and living your life to the fullest. Our mission is to coach, mentor and inspire you to achieve financial independence and happiness. We would love the opportunity to work with you to help you achieve your goals, work towards what makes you happy and help you live your very best life.

If you are interested in meeting with one of our Wealth Advisors to help you get started on investing or to get a second opinion on your investments, we would be happy to offer you a complimentary consultation. You can call our office at 763-231-9510 to schedule.



Investing involves risk and you may incur a profit or loss regardless of strategy selected. Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

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