

How ready are you for retirement?

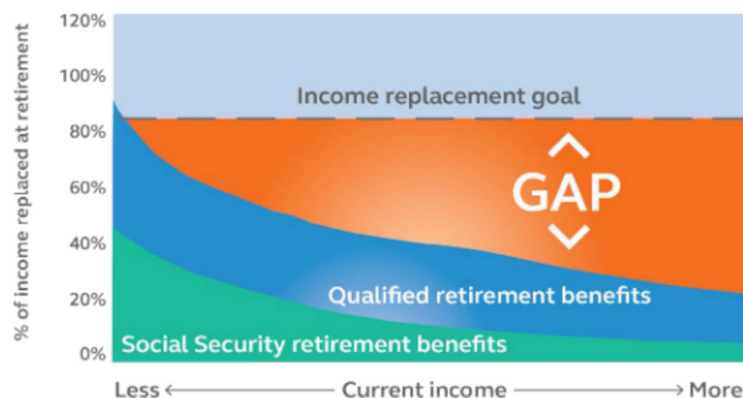
Your business can play a key role

What will it take to retire?

You've poured a lot of yourself into making your business successful. Now, it's time to think about getting some of that back. Have you started daydreaming about retirement? Are you afraid you can't afford to retire?

Many financial professionals say that each of us will need at least 80 percent of our pre-retirement earnings to maintain our current standard of living during retirement. Where will that money come from?

You may be relying on a combination of Social Security, a qualified retirement plan such as a 401(k) plan and your business. However, Social Security and qualified retirement plans can actually discriminate against business owners by placing limits on contributions, payouts and tax advantages. This can result in a retirement income gap.



This information is from the Principal Financial Group[®] Replacement Ratio Calculator with source information from the Annual Statistical Supplements to the Social Security Bulletin (www.ssa.gov). It is intended to demonstrate the potential impact of Social Security and 401(k) plan benefits at various income levels. For more information on your individual circumstances, please speak with your financial or tax professional. ©2016 Principal Financial Services, Inc.

Your business holds the key

You're in the unique position of owning a business, which can play a key role in your personal retirement. Depending on the value of your business, the strength of your buy-sell agreement and proper funding, your business can generate income during retirement, just like it has done through your working years. If rather than selling your business, you want to gift it to your family and continue working, that's also possible. All it takes is some careful planning.

Whether you've already started planning, or have just begun to think about it, the place to begin on your road to retirement security is with these three questions:

- 1 | What is your **retirement income goal** and can you reach it with what you already have in place?
- 2 | Do you know the **value of your business**?
- 3 | Do you have a **plan to transition** out of your business?

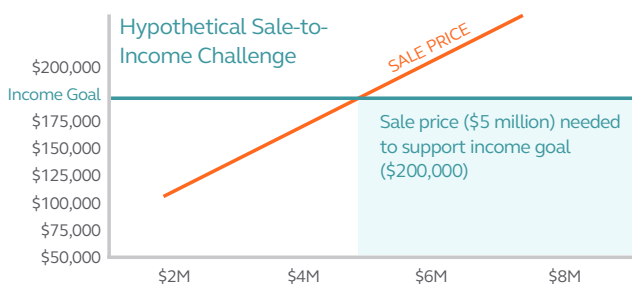
1 | Your retirement income goal

Consider your potential retirement income sources:

- > Savings and investments
- > Social Security
- > Qualified plans
- > Nonqualified plans

> Sale of your business

Many assume that the sale of their business will provide enough to keep them comfortable. But, some find out when it's time to sell that the business isn't worth enough to sustain their income needs. In order to know where you stand, you need to consider the potential sale price of your business. Then, you can plan accordingly.



2 | The value of your business

Without knowing the current value of your business, it's difficult to know how much your business can contribute to your retirement income goal. Plus, not knowing the fair-market value can lead to roadblocks such as these:

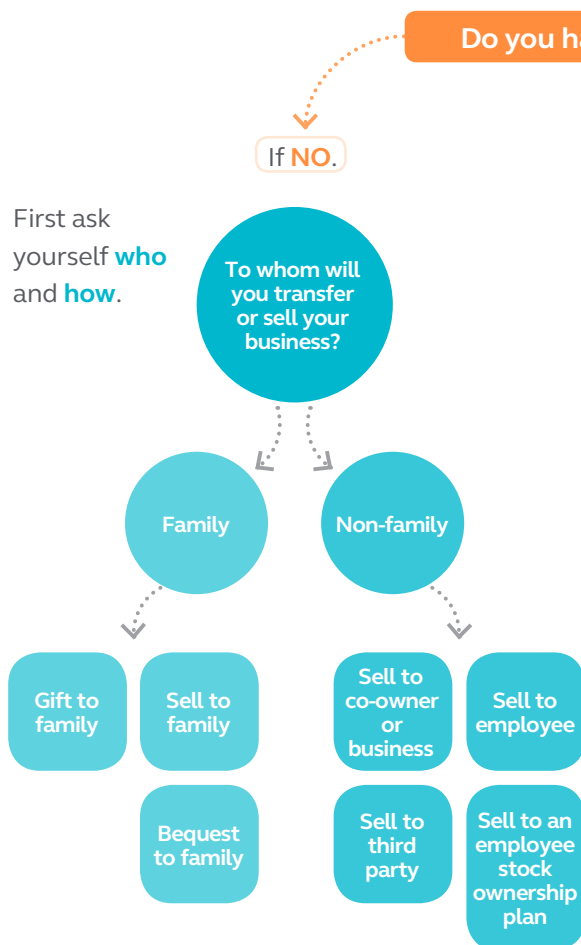
- > Retiring owners may not get fair value; remaining owners may over-pay.
- > "Motivated" sellers and sellers in liquidation are less likely to receive full value.
- > Costly delays, arguments, or litigation among owners may ensue.

We can help

An *Informal Business Valuation and Planning Report from Principal®* can offer valuable information and kick your retirement planning into high gear.

3 | A current transition plan

Have you identified to whom you want to transition your business? How about when and how you want that to take place? Once decided, it's important to have that documented. If a sale is involved, a buy-sell agreement will help identify the buyer and help determine a purchase price. This is critical for not only retirement planning, but also for protecting you and your family in the event of your planned or unplanned exit from the business.



First ask yourself **who** and **how**.

Then ask **when**. When do you plan to transition out of your business? Consider both planned and unplanned exits such as retirement, dissolution, death, disability, divorce and termination.

Use answers to **who**, **how** and **when** to start developing your transition plan.

We can help

A **Business Continuation Proposal** from Principal can walk you through transition options, then help you document your intentions in an effective buy-sell agreement.

Even if you already have a buy-sell agreement, it's important to make sure it is current, well-funded and accounts for all exits, including a mandatory purchase option for retirement.

Determining the appropriate funding arrangement for the agreement is important. It's best to address *when* the funding is needed and then *how much time* you have to fully fund for each exit scenario.

With those answers you can consider several funding methods:

- > Cash
- > Borrowing
- > Savings
- > Installment sale
- > Insurance

Each method has limitations and benefits and no one method is always best, so evaluating what is right for your unique situation is key.

We can help

A **Buy-Sell Review** from Principal will examine your current agreement and evaluate how effective it may be in protecting you from planned and unplanned contingencies.

Do you have a plan?

So, how secure will you be during retirement? As we've outlined, a retirement transition plan are important first steps to figuring out how much you also need to consider how other savings and investments may impact your

A detailed analysis can pull all of these factors together to help you assess your position. And, if needed, direct you to strategies that can help you reach your goals.

This is where we can help.

*Request your free **Business Owner's Retirement Readiness Report** from Principal today. Ask your advisor for a personalized report and take the first step towards the retirement strategy you choose.*