A BUILD WEALTH PARTNERS GUIDE

The Owner's Money Map

Where Business Profits Go Next

Build Wealth Partners

Fee-only financial planning and business consulting for business owners

Introduction: The Coordination Gap

You built something that works. Revenue is real, the team shows up, and at the end of most months there's money left after payroll. By the numbers you should feel further ahead than you do. Instead, you're carrying a quiet question you haven't said out loud: if the business slowed down tomorrow, what would I actually have?

That question is hard to answer, and it's not because you've been careless with money. It's because you have several smart professionals looking at your finances, and each one sees a slice.

Your CPA sees your tax return. They can tell you what you owed and, if you ask early enough, what you'll owe next. What they mostly don't do — because it isn't their job — is tell you whether the retained earnings sitting in your business checking account should stay there, move into a retirement plan, or go somewhere the business can't touch.

Your attorney sees documents. They'll draft your operating agreement, your buy-sell terms if you have them, maybe your estate plan. What they don't see is your cash flow, so a plan that looks airtight on paper can be unfundable in practice — a buy-sell agreement with no funding mechanism behind it is a promise, not a plan.

Your banker sees deposits and debt service. They care about your balance sheet insofar as it supports a loan. They are not going to flag that ninety percent of your net worth is one illiquid, concentrated position: the company itself.

Each of these people is competent. None of them is positioned — or paid — to look at the whole picture and tell you the order to do things in. That's the coordination gap, and it's the actual problem this book solves. Not "how do I make more money" — you already know how to do that, it's why the business exists. The problem is: given the profit you're already generating, in what order do you turn it into a life that doesn't depend entirely on the business staying exactly as healthy as it is right now.

Here's what tends to happen without a map. Cash accumulates in the business because that's where it's easiest to leave it, and because moving it feels like a decision you can make "later." Retirement contributions get set once, based on what a payroll provider defaulted to, and never revisited even as profit grows. Insurance gets bought reactively, after a scare, instead of as a structural piece of the plan. Every one of these is a reasonable decision in isolation. Stacked together over ten years, they add up to a net worth statement that is almost entirely one asset, sitting in one entity, subject to one set of risks — the risks of the business you already carry every day.

This book gives you the map and the order. Chapter 1 shows you how to see your own balance sheet clearly — most owners have never actually separated what they own from what the business owns. Chapter 2 covers cash: how much reserve is enough, and why cash without a named purpose gets spent by default. Chapters 3 and 4 cover getting money out of the business and into retirement structures built for owners, not employees. Chapter 5 covers building assets that don't move in the same direction as your company. Chapter 6 covers the protection pieces that keep one bad month from becoming a bad decade. Chapter 7 covers what "exit-ready" actually means, years before you plan to sell or step back. Chapter 8 closes with the honest part: knowing the order is necessary, but executing it across a CPA, an attorney, and an advisor at the same time is the part most owners never get around to — not from a lack of will, but because no one is holding the whole map.

Nothing in this book requires you to hire anyone. Every chapter stands on its own, and you can act on any of it with the professionals you already have. What you won't get from this book — because no book can give it to you — is someone sitting across the table who sees all six pieces at once and keeps them moving together. That's a different problem, and it's the one we'll name plainly in the last chapter.

For now: read it in order. The sequence matters more than any single chapter.

Chapter 1: The Balance-Sheet Illusion

If you asked most owners what they're worth, they'd give you a number that includes the business. That's not wrong, exactly — the business has real value. But it's an illusion in one specific, important way: that number is mostly one asset, it's illiquid, and it's concentrated in the exact same risk you already carry every working day. This chapter is about seeing that clearly, because you can't fix a problem you haven't measured.

Net worth on paper vs. net worth you can use

Picture two owners. Owner A has a business worth two million dollars, a house, a car, and eleven thousand dollars in a checking account. Owner B has a business worth eight hundred thousand dollars, a house, a car, four hundred thousand dollars in a brokerage account, and a fully funded retirement plan.

On paper, Owner A looks wealthier. In practice, Owner A has almost no independent assets. If the business has a bad eighteen months — a key employee leaves, a major client walks, a lawsuit lands, a recession hits their industry — Owner A's net worth statement and Owner A's income both fall at the same time, because they were never really separate. Owner B has the same exposure to the business, but a meaningful part of their wealth doesn't move when the business does. If the business has a bad eighteen months, Owner B still has a bad eighteen months — but not a catastrophic one.

Neither owner has done anything wrong. Owner A just hasn't separated the two questions that get blurred together on every net worth statement: what is this worth, and what can I actually rely on if the business stops cooperating.

Why this happens to profitable owners specifically

This isn't a story about owners who mismanage money. It's closest to the opposite — the more competent you are at running the business, the more convincing the case for leaving profit inside it becomes. Every dollar left in the business can be reinvested at a return you understand, because you built the thing generating that return. Every dollar moved out feels, by comparison, like it's earning less and doing less.

That logic is sound as far as it goes. The problem is that it only measures return. It doesn't measure concentration. A dollar inside the business is not just earning a return — it's also making a bet that the business's fortunes and your fortunes stay correlated forever. For a while, reinvesting in the business and building personal wealth look like the same decision. Eventually they split, and most owners don't notice the moment they split, because nothing about daily operations forces you to notice.

There's a second, quieter reason the illusion holds: illiquid assets don't ask to be checked. A brokerage statement arrives every month and shows you a number. The business doesn't send you a statement — you'd have to get a valuation done, which is expensive and disruptive, so most owners simply don't do it more than once every several years, if ever. What you don't measure regularly, you don't manage. The absence of a monthly reminder is itself part of why the concentration builds unnoticed.

Business-dependent vs. business-independent assets

Here's the distinction that matters, in plain terms:

- **Business-dependent assets** are worth something only because the business is running well: the equity in the company itself, a building you own that the business leases from you at a rent tied to the business's ability to pay, receivables the business is owed, equipment that has value mainly inside your specific operation.
- **Business-independent assets** keep their value whether the business is thriving, struggling, or gone entirely: a diversified brokerage account, a fully funded retirement account, cash reserves held personally, a paid-down primary residence, life insurance cash value, other real estate with tenants unrelated to your company.

The distinction isn't about which assets are better. Business-dependent assets are usually the ones you have the most influence over — the business is the asset you know most deeply. The distinction is about what happens to your family's financial life if the dependent column takes a hit. If the independent column is thin, the answer is: everything gets harder at once, at exactly the moment you can least afford it.

What coordination has to do with it

Seeing this split clearly is chapter 1's whole job — it's a diagnostic, not a fix. Deciding what to do about a thin independent column touches your CPA (how you take money out without a tax cost that erases the benefit), your attorney (whether business-dependent assets are titled in a way that protects the independent ones from business liabilities), and your advisor (where the independent dollars actually go once they're out). None of those three people can answer the question alone, because none of them can see both columns at once unless you show them. That's the coordination gap this book keeps coming back to — chapter 3 covers how money actually gets from the business column to the independent column, and chapter 5 covers what to do with it once it's there.

> **Do this week:** Make two columns on a sheet of paper — "Business-Dependent" and "Business-Independent." List every asset you and your household hold, and put each one in the column where it belongs based on whether its value survives a serious, sustained business downturn. Add up each column.

> Don't judge the result yet. Just look at the ratio. If the business-dependent column is more than three-quarters of the total, that's the fact this book exists to address — and it's the exact fact your CPA, attorney, and advisor each only see a third of.

You don't need to fix the ratio this week. You need to see it. Most owners who do this exercise for the first time are surprised twice: once by how thin the independent column actually is, and again by how long it's been that way without anyone naming it out loud. That second surprise is the more useful one. It's not evidence of a mistake — it's evidence that no one whose job it is to look at the whole balance sheet has ever been asked to. Chapter 2 starts with the piece of the independent column that should come first, before any of the others: cash.

Chapter 2: Cash: Reserve, Then Purpose

Chapter 1 asked you to look at the ratio between what depends on the business and what doesn't. This chapter is about the first dollars that should move into the independent column, and the two decisions that matter most: how much cash to hold in reserve, and what every dollar beyond that reserve is actually for.

Why cash is the starting point, not the exciting part

It would be more interesting to skip ahead to retirement plans or building outside investments. Cash comes first anyway, for a simple reason: every other piece of the plan — retirement contributions, insurance premiums, an investment account, an eventual exit — assumes you can survive a rough stretch without unwinding it. A retirement account you have to raid at the first slow quarter isn't really retirement savings. It's a rainy-day fund with extra paperwork and a tax penalty attached. Reserve comes first because it protects everything you build after it.

Sizing the reserve: reasoning, not a rule of thumb

There's no single number that fits every business, and you should be skeptical of anyone who hands you one without asking questions first. What actually determines the right reserve size is a combination of three things.

Fixed-cost months. Add up what the business must pay no matter what happens to revenue this month: rent, payroll for core staff, loan payments, insurance, essential subscriptions and services. That monthly figure is your baseline burn if revenue stopped entirely. The reserve conversation starts with how many months of that baseline you want covered before you'd have to make painful decisions.

Revenue volatility. A business with long contracts, recurring billing, and diversified customers can reasonably hold less reserve, because its revenue is unlikely to fall off a cliff in a single month. A business that depends on a handful of large clients, or on seasonal demand, or on one referral source, needs more months of coverage — the same fixed costs are more likely to keep coming due while revenue disappears fast.

Credit access. A business with an untapped line of credit or strong lender relationships has a buffer that cash-only businesses don't. That's a legitimate part of the calculation — but only if the credit is already in place. Assuming you could get a loan during a downturn, when your revenue has just dropped, is a plan built on an assumption you haven't tested. Credit you can access today is a reserve component. Credit you'd have to apply for during a crisis is not.

Put those three together and you get a range, not a number: a stable, diversified, contract-backed business with existing credit access might reasonably hold less reserve than a seasonal, concentrated business with no credit line, even if the two businesses are the same size. The right answer is specific to your business — which is exactly why it's worth working through with someone who knows both your numbers and your industry, rather than adopting a figure you heard somewhere else.

Named buckets beat one pile

Once the reserve question is answered, most owners still make the same second mistake: they let all the cash beyond the reserve sit in one operating account, undifferentiated. It looks like savings. It behaves like a pile that's easy to dip into, because nothing labels any part of it as spoken for.

The fix is not complicated, and it doesn't require new accounts or new software — it requires naming. Cash beyond your reserve should be assigned a purpose the moment it clears that threshold: this portion is earmarked for next year's retirement contribution, this portion is earmarked to move into the business-independent column this quarter, this portion is earmarked for a planned equipment purchase eighteen months out. A named bucket is psychologically different from an unnamed one, even sitting in the same bank. Money with a name attached gets protected. Money without one gets spent on whatever felt urgent this month.

Undecided cash is a decision, made by default

Here's the part owners underestimate: leaving cash undecided isn't neutral. It's a choice, just an unconscious one. Cash sitting in the business operating account, with no named purpose, will get spent — on a slightly nicer piece of equipment than you needed, on an owner draw that felt earned, on a hire that could have waited another quarter. None of those are bad decisions in isolation. The problem is that they happened by default, not by design, and the cumulative effect is that the same year-end conversation repeats every year: where did it go, and why is the independent column still thin.

This is the same coordination gap from the introduction, showing up in a specific place. Your CPA can tell you what your cash position looked like at year-end. Your banker can tell you what covenant thresholds you're near. Neither one is positioned to tell you, mid-year, "this bucket is for the retirement contribution — don't touch it for the equipment upgrade." That's a decision that requires someone looking at the whole picture, on a schedule more frequent than once a year.

> **Do this week:** Open your business bank statements from the last three months and calculate your average fixed-cost burn — rent, core payroll, debt service, insurance, essential recurring costs. Multiply that by the number of months of coverage that feels right given your revenue volatility and credit access (be honest about both). That's your reserve target.

> Then look at whatever cash sits above that target today. Write down, next to each portion, what it's actually for. If you can't name a purpose for a portion within thirty seconds, that's the cash most likely to get spent on whatever comes up next — and it's the cash you should move first.

Chapter 3 covers the mechanics of getting money out of the business in the first place — salary versus distributions, and why that split is a decision to make with your CPA rather than a default your payroll provider set for you.

Chapter 3: Getting Money Out

The business generates profit. At some point that profit has to become money in your personal account. How it gets there is not a formality — it is a structural decision with consequences that show up in your paycheck, your tax filings, your future retirement contributions, and how a lender reads your income.

There are two basic paths: salary and distributions. Most owners use some mix of both, and the mix is the decision.

Salary: money as wages

Salary is W-2 pay. You are on payroll like any employee, and the business withholds and remits payroll taxes — Social Security and Medicare — on your behalf. If you own an S-corporation, the business also pays the employer share of those same payroll taxes on top of what's withheld from your check.

Salary shows up as W-2 wage income on your personal tax filings. It also becomes the compensation figure that many retirement plans use to calculate how much you're allowed to contribute — more on that below. And it builds your own Social Security earnings record, which is part of what determines the benefit you're eligible for later.

Distributions: money as profit share

Distributions (sometimes called an owner's draw) are a different animal. They're a share of business profit paid out to you as the owner, not as compensation for work performed. Distributions are not subject to payroll tax.

The exact mechanics depend on entity type:

- **Sole proprietorship or single-member LLC (default tax treatment):** there's no formal salary/distribution split. All net profit is subject to self-employment tax, whether you leave it in the business or take it out. There's no payroll to run and no reasonableness test to satisfy — the mechanics are simpler, but so are your options.
- **Partnership or multi-member LLC:** partners can receive fixed, salary-like payments for services performed and a distributive share of profit that moves with how the business does, each with different tax treatment. The partnership agreement is where this split gets documented, so it should be revisited whenever the underlying economics of the partnership change.
- **S-corporation:** this is where the split becomes a real lever. You pay yourself a salary (subject to payroll tax) and can also take distributions of remaining profit (not subject to payroll tax). The IRS requires that the salary portion be "reasonable" for the work you actually perform — this isn't

a number you pick freely, it's a determination your CPA makes based on your role, industry, and comparable pay. An unreasonably low salary paired with large distributions is one of the more common items the IRS looks at when reviewing S-corporation filings.

- **C-corporation:** salary is a deductible business expense; profit paid out as dividends is taxed differently and on a separate track. Fewer owner-operators use this structure for exactly this reason, but it's worth knowing which bucket you're in, since the mechanics above don't apply the same way once dividends are in the picture.

Whichever entity you operate under, the split needs to be documented, not just understood informally between you and your CPA. Payroll records, distribution ledgers, and (for partnerships) the partnership agreement are what an outside party — a lender, an auditor, a buyer during due diligence — will actually look at. A well-reasoned split that only lives in conversation is hard to defend later.

Why the split isn't a free choice

It's tempting to think of the salary/distribution split as a dial you turn to minimize payroll tax. It isn't just that. Four things move together whenever you change the ratio:

1. **Entity rules.** As above, your entity type determines whether you even have a split to manage, and how much discretion you have over it.
2. **Payroll tax exposure.** Salary carries payroll tax; distributions (where allowed) don't. This is real, but it's only one variable — not the whole equation.
3. **Retirement contribution ceilings.** Several of the retirement plans built for owners (chapter 4 covers these in detail) size your allowable contribution off your W-2 compensation, not your total business profit. If you set your salary too low to reduce payroll tax, you may also be shrinking the base your retirement plan is allowed to use — capping how much you can put away.
4. **Lender optics.** When you apply for a mortgage, a business loan, or any form of personal credit, lenders weigh documented income differently depending on its source. Steady W-2 wages read differently on an application than variable owner distributions do, even when the total dollars are similar. A structure optimized purely for one goal can work against you when you need to borrow.

None of these four considerations is more "correct" than the others. That's exactly the point: the right salary/distribution split is the output of a conversation that weighs payroll tax, retirement contribution room, and lending needs together — not a single-variable optimization. Optimize for payroll tax alone, and you might quietly shrink your retirement contribution room and weaken your file the next time you sit across from a loan officer. Optimize for lending optics alone, and you might overpay in payroll tax relative to what the business needs to fund. There isn't a formula that resolves this on its own — it takes a person who can see all four variables at once.

Why this is a coordinated decision, not an April decision

Payroll has to be run through the year — quarterly payroll tax deposits, W-2 filings, and any retirement plan elections tied to compensation don't wait for tax season. If you and your CPA only talk about your salary/distribution split while preparing last year's filings, you're setting this year's number after the fact, or worse, locking in whatever the payroll system defaulted to.

Estimated quarterly tax payments compound the timing problem. If your distributions run well ahead of your salary withholding, you may owe estimated payments during the year to avoid an underpayment penalty at filing time — another reason the split can't be a decision that waits until the return is being prepared. By then, three of the four quarters are already locked in.

The owners who get the most out of this decision treat it as something set (and reviewed) with their CPA at the start of the year, adjusted mid-year if profit runs ahead or behind plan — not something discovered in April.

Do this week: Pull last year's W-2 and any K-1 or distribution records side by side. Calculate the ratio between salary and distributions. Bring that ratio to your CPA along with three questions: Does this ratio reflect a deliberate decision or a default? What would change if we adjusted it? What does it mean for retirement contribution room this year? That conversation is the coordination — as chapter 4 explains, it directly shapes what you can put into a retirement plan built for owners.

Chapter 4: Retirement Plans Built for Owners

Chapter 3 covered how money moves from the business to you — salary and distributions. This chapter covers where some of that money can go once it's out: retirement plans structured specifically for business owners. Each one works differently. None of them is a universal answer. This chapter describes the mechanics of four common options so you understand what each one actually does, not which one to pick.

These plans exist because a business owner's situation doesn't look like a W-2 employee's. An employee at a large company is handed one plan, already designed, already administered by someone else. An owner has to choose the plan, and in most cases the business is also the one setting it up and funding it. That extra step — deciding on and establishing the plan — is exactly why the mechanics matter more here than they would for someone simply enrolling in whatever their employer offers.

It's also worth knowing upfront that these plans have setup and funding deadlines that don't always match the calendar year you'd assume. Some plans have to be established before the business's fiscal year ends to be usable for that year; others can be opened later and still accept a contribution for the prior year. Missing a deadline isn't a matter of losing a little upside — it can mean the plan simply isn't available for that year at all. This is a scheduling detail to confirm with your CPA for whichever plan you're considering, not something to assume.

Solo 401(k)

A Solo 401(k) is built for an owner with no full-time employees other than a spouse. It's a two-part structure:

- **Employee deferral.** You contribute a portion of your own compensation, the same way an employee at any company defers part of a paycheck into a workplace plan.
- **Employer contribution.** The business separately contributes a profit-sharing amount on your behalf, calculated as a percentage of compensation.

Because the plan combines both parts, it can accept more total contribution than either part alone — the exact ceiling depends on your compensation structure (chapter 3's salary/distribution split) and current plan rules, which is why this is worth reviewing with your CPA rather than assuming last year's number still applies. Many Solo 401(k) plans also offer a Roth option and the ability to borrow against the balance, though not every provider includes both features.

Who it fits mechanically: owners with no eligible employees to cover, who want the two-part contribution structure and the highest degree of control over plan design.

SEP-IRA

A SEP-IRA is an employer-only contribution plan — there's no employee deferral piece. The business contributes a percentage of compensation to an IRA in your name.

The administrative trade-off: if you have eligible employees, you must contribute the same percentage of compensation for them as you do for yourself. A SEP-IRA doesn't let you favor the owner over the staff on a percentage basis. It's simple to set up and simple to run, which is its main appeal, but that same simplicity means less flexibility once you have a team.

Who it fits mechanically: owners with few or no other eligible employees, or owners who are comfortable contributing the identical percentage across everyone who qualifies.

SIMPLE IRA

A SIMPLE IRA is designed for smaller businesses that do have employees. Employees can defer part of their own pay, and the employer is required to either match employee contributions up to a set formula or make a fixed nonelective contribution for every eligible employee, whether or not they defer.

The contribution structure sits lower than a Solo 401(k) or SEP-IRA, and the administrative burden is lighter than either a 401(k) or a defined-benefit plan. It's a middle option: less design flexibility, but easier to run and required for employees, not optional.

Who it fits mechanically: owners with employees who want a plan that requires less annual administration than a full 401(k), and who are prepared for the mandatory employer contribution.

Defined-benefit plan

A defined-benefit plan works backward from a target retirement benefit. An actuary calculates the contribution required each year to fund that target, based on your age, income history, and years until retirement. Because the calculation is age-weighted, this structure tends to allow the largest contribution for owners closer to retirement age with fewer years left to fund the target.

It is also the most complex and most expensive plan to administer — it requires an actuary, ongoing funding calculations, and formal plan documents. This isn't a plan most owners set up casually; it's a fit for a specific combination of age, income stability, and cash flow that can support a fixed, sizable annual contribution.

Who it fits mechanically: owners later in their career with stable, high cash flow who want to fund retirement aggressively in a compressed number of years.

The plans compared, structurally

Plan	Who contributes	Covers employees?	Administrative load
Solo 401(k)	Owner (both parts)	No employees allowed (other than spouse)	Moderate
SEP-IRA	Employer only	Yes, same % for all eligible	Low
SIMPLE IRA	Employee + required employer piece	Yes, mandatory formula	Low-moderate
Defined-benefit	Employer, actuarially set	Yes, if eligible employees exist	High

Reading this table left to right is less useful than reading it against your own situation. The "covers employees?" column is often the one that eliminates options fastest — the moment you have staff beyond a spouse, a Solo 401(k) is off the table regardless of how appealing its structure looks. From there, the choice narrows to how much administrative load you're willing to carry versus how much contribution flexibility you want. A SEP-IRA trades flexibility for simplicity; a defined-benefit plan trades simplicity for a contribution structure built around a specific retirement target.

Plans also aren't necessarily permanent choices. A business that starts with a SIMPLE IRA because it's the easiest plan to stand up in year one may outgrow it once cash flow stabilizes and the owner wants more contribution design flexibility. Switching plans has its own rules and timing — another item for the advisor-and-CPA conversation, not a decision to make alone based on this chapter.

Why this isn't a pick-one-and-move-on decision

Every plan on this list interacts with things covered elsewhere in this book. Your compensation structure (chapter 3) sets the base some of these plans calculate contributions from. Whether you have employees, and how many, determines which plans are even available to you. Your age determines how much a defined-benefit plan can hold. Your cash flow determines what you can actually fund in a given year without straining the business.

Which plan fits depends on your payroll structure, your age, and your cash flow — a decision to make with your advisor and your CPA together, not a plan you select off a list on your own.

Do this week: List every retirement account currently open in the business's name, including who besides you is eligible to participate in each. Note your current age and roughly how many years you expect to keep working at this pace. Bring that list to your next advisor and CPA conversation and ask directly: given our compensation structure and headcount, which of these plans are even available to us, and which is worth designing around?

Chapter 5: Wealth Outside the Business

By now you've done the two-column exercise from chapter 1 and thought through your reserve in chapter 2. You know how much of your net worth sits inside the company, and you've started to separate the cash that runs the business from the cash that doesn't. This chapter is about what happens to the money once it leaves — the case for building something that isn't the business at all.

Concentration risk, defined

Concentration risk is simple to state and easy to ignore: when one asset makes up most of what you own, that asset's fortunes are your fortunes. For an owner, the business is usually that asset. It's where your time goes, where your identity lives, and where your balance sheet points. If a supplier disappears, a key employee leaves, a regulation shifts, or a competitor undercuts you, the damage doesn't stay contained to "how the business is doing this quarter." It shows up in your household finances, your retirement timeline, and your ability to help your kids or your parents.

This isn't a reason to doubt the business. You built it, you run it, and it's the asset you have the most influence over. Concentration risk isn't an argument against the business — it's an argument for making sure the business isn't the only thing you own.

What diversification means, structurally

Set aside any specific product or account type for a moment — this chapter isn't going to tell you what to buy. Structurally, diversification for an owner means holding assets whose value doesn't move with your company's fortunes. If a downturn in your industry, a lawsuit against your business, or a bad year for your specific customer base would also hurt this other asset, it isn't doing the job. The test isn't "is it a different account" — it's "is it exposed to the same risks my business is exposed to."

Think of it as a second, independent claim on your future. The business is one bet, made with your time, your capital, and your name attached. Wealth outside the business is a second bet, uncorrelated with the first, that keeps paying attention to your family even on the days the business doesn't. What specific form that second bet takes — which accounts, which structures, which allocation — is a conversation for you, your CPA, and your advisor, because it depends on your tax situation, your timeline, and your risk tolerance. This book won't prescribe an answer. It will tell you that the answer needs to exist somewhere outside company walls.

Correlation is the test to keep coming back to, because it's easy to mistake "different account" for "different risk." An asset tied to your same industry, your same local economy, your same major customer, or your own company's stock carries a version of the same exposure you already have —

even if it lives in a separate account with a separate statement. The goal isn't a longer list of accounts. It's a set of claims on the future that don't all fail for the same reason at the same time.

The discipline problem

Here's the part owners underestimate. It isn't hard to open an outside account, put a policy in place, or set up a periodic transfer. Owners do this all the time, often in a good year, often with real intention. The hard part is leaving it alone.

The business will ask for that money back. Not maliciously — through ordinary, plausible, well-argued need. A vendor wants faster payment. A hire looks obviously worth the cash. A piece of equipment breaks down at exactly the wrong moment. Every one of these asks makes sense in isolation. And the account sitting outside the business, untouched, doing nothing "productive" for the company, starts to look like slack that should be picked up.

This is the re-raiding problem: money gets moved out with good intentions, then gets pulled back in during the next tight month, one justified withdrawal at a time. A year later the outside account is thinner than it was, the business absorbed the difference, and the owner is back to holding one concentrated asset — just with extra steps. Nobody decided, in a single moment, to abandon the plan. It eroded through a dozen individually reasonable choices, each one made under pressure, none of them reviewed against the original reason the money was set aside.

Policy beats willpower

The fix isn't a stronger commitment to leave the money alone. Willpower is a bad tool for a decision you have to keep re-making under stress, month after month, for years. The fix is a policy — a rule set in a calm moment that removes the decision from the moment of pressure.

A policy might specify: money moved into outside assets doesn't come back into the business except through a formal, documented loan with terms, reviewed by your advisor and your CPA together, not through an informal transfer decided alone on a Tuesday afternoon. It might specify a floor — an amount that doesn't move regardless of what the business is asking for. It might specify a cadence — a fixed amount that leaves the business on a schedule, so the decision to fund the outside account isn't re-litigated every time cash gets tight.

None of this requires precision about markets or timing. It requires a rule, written down while you're thinking clearly, that you agree to follow when you aren't. As chapter 3 covered, the decision about how money comes out of the business in the first place is already a coordinated one, made with your CPA rather than in the moment. The same logic applies here: decide the policy once, with your advisors present, and let the policy make the harder calls later.

Why this matters for what comes next

Chapter 6 covers how to protect what you're building — both inside the business and out. Chapter 7 covers exit readiness, where the existence of assets outside the business changes what the sale proceeds need to do for you. Both depend on this chapter's point: an owner's financial life needs a second, independent asset base, protected by a policy rather than a promise to yourself.

Do this week: Write down, on paper, the last three times you pulled money back from an outside account, retirement contribution, or savings goal to cover a business need. For each one, write what triggered it and whether a written policy — a floor amount, a required loan structure, a fixed schedule — would have changed the decision. Bring this list to your next conversation with your CPA or advisor and ask them to help you turn it into an actual written policy, not just an intention.

Chapter 6: Protection Basics

Chapter 5 made the case for building assets outside the business. This chapter is about protecting what you're building — on both sides of that line. Protection doesn't grow anything. It exists so that one bad event doesn't undo years of coordinated work. That's the entire job of everything in this chapter: each instrument below is for something specific, and none of them is for everything.

Key-person exposure

Ask yourself what happens to revenue, client relationships, and day-to-day operations if you — or another person the business depends on — were suddenly gone for six months. For most owner-run businesses, the honest answer is "it gets much harder, fast." That gap is key-person exposure: the amount of value that walks out the door with one specific individual, rather than staying with the business itself.

Key-person coverage is a policy the business owns on the life of a person whose absence would materially disrupt operations. It's for bridging the business through the disruption — funding a search for a replacement, covering a revenue dip while clients adjust, or buying the runway needed to stabilize operations. It's not a substitute for building a business that depends less on any one person, which is its own long-term project. It's what's FOR the gap while that project is still in progress.

Buy-sell agreements

If you have co-owners, ask a harder question: what happens to their share of the business if they die, become disabled, get divorced, or simply want out? Without a written agreement, the answer is often "whatever a court or an estranged spouse decides," which is rarely what any of the original owners intended.

A buy-sell agreement is a contract between owners that sets out, in advance, what happens to an owner's share when one of these triggering events occurs — who has the right or obligation to buy, at what kind of valuation, and on what timeline. It's frequently funded by life or disability insurance on each owner, so the buyout doesn't have to be paid out of the business's cash flow at the worst possible moment. The agreement is the plan; the insurance is the funding mechanism for the plan. Neither one does much without the other.

Umbrella liability

Your business insurance and your personal auto and homeowners policies each carry a liability limit — a cap on what they'll pay if you're found responsible for someone else's injury or loss. An umbrella policy sits above those limits and extends the coverage further, for a relatively small added cost.

The reason this matters more for owners than for most people: your visible success is itself a kind of exposure. A judgment that would be painful for anyone can be existential for someone whose personal balance sheet is closely tied to a business he or she also has to keep running. Umbrella coverage is for the tail-risk lawsuit — the one large claim that exceeds your underlying policies — not for everyday claims those policies already handle.

Disability coverage

Ask one more question: if you couldn't work for a year because of illness or injury, where does household income come from? For most owners, the honest answer is "the business," which is also usually the asset most affected by the owner's own absence — the same key-person exposure from a personal angle instead of a business one.

Disability income coverage replaces a portion of income if you're unable to work due to illness or injury. It's for keeping the household running during the gap between "the owner can't work" and "the owner can work again," or between disability onset and retirement if the disability is permanent. It is not for topping up income during a normal slow season, and it's not a wealth-building tool — it's income replacement, defined narrowly, for a specific kind of disruption.

Estate basics for owners

Every instrument above is about disruption while you're alive. This one is about what happens to the business, and everything connected to it, if you die without having written anything down.

Without a will, state law decides who inherits your assets — including your business interest — according to a formula that has nothing to do with what you'd have chosen. Without a business succession plan layered on top of the buy-sell agreement, your co-owners could end up in business with your spouse or your adult children by default, whether or not any of them want that. Without updated beneficiary designations on retirement accounts and insurance policies, those assets pass according to whatever form you filled out years ago — sometimes to an ex-spouse, sometimes to no one you'd choose today. Without a plan for who has authority to make decisions about the business if you're incapacitated but not deceased, the business can stall at exactly the moment it needs someone steering it.

None of this requires an elaborate structure to start. It requires a will, a review of your beneficiary designations, and — because you own a business — an estate planning attorney who coordinates the business succession piece with your buy-sell agreement, so the two documents agree with each other instead of quietly contradicting one another.

Why coordination matters here specifically

Every instrument in this chapter touches more than one professional. Key-person and buy-sell arrangements touch your business attorney and your insurance agent. Umbrella coverage touches your property and casualty agent. Estate documents touch your estate attorney, and they need to line up with what your buy-sell agreement says about who owns what when. None of these people are automatically talking to each other. That's the coordination gap chapter 0 named at the start of this book, showing up again here in a form that has real consequences if it goes unaddressed.

Do this week: Pull up your current will (or note that you don't have one), your buy-sell agreement (or note that you don't have one), and the beneficiary designations on your retirement accounts and any life insurance you own. For each, write down the date it was last reviewed. If any of the three is missing, outdated, or was written before a major change — a new co-owner, a marriage, a child, a change in what the business is worth — that's the one to raise first with your attorney and your advisor.

Chapter 7: Exit-Ready

Every business owner eventually stops running the business — by choice, by health, by a buyer's offer, or by the calendar. Few owners plan for that transition the way they plan for the next fiscal year. This chapter is not about selling your business. It is about a simpler, earlier question: if a transition arrived on its own timeline instead of yours, would you be ready for it?

"Ready" has two separate meanings here, and owners tend to confuse them. One is business readiness — can the company run, and sell, without you standing in the middle of it. The other is personal readiness — once proceeds from any transition land, what do they need to do for your life. Both take years to build. Neither can be assembled in the final quarter before a transition.

The runway is longer than it feels

A useful way to think about exit-readiness is a three-to-five-year runway, not a closing date. That horizon isn't a countdown to a sale — most owners never sell in any given year, and this chapter makes no assumption that you will. The runway matters because the things that make a business durable and the things that make proceeds useful are structural, and structural change takes time: contracts get renegotiated on their own renewal cycles, financial records need a few clean years behind them to be credible, and a leadership bench gets built one delegated decision at a time. Owners who start this thinking only when a transition is imminent are working against a clock that was already running.

Thinking in a multi-year runway also does something practical: it turns "exit planning" from a single stressful event into a series of ordinary decisions you were already going to make — who gets hired, what gets documented, where retained earnings go. The order-of-operations logic from chapters 2 through 6 is not separate from this. It is the substance of it.

Business readiness: what makes a company durable without you

A few categories show up again and again when a business is evaluated by outside eyes — a buyer, a lender, a new partner, or simply a family member stepping into leadership.

Clean books. Financial statements that are consistent, current, and reconcile without a translator standing next to them. This is downstream of chapter 2's discipline around named cash purposes and chapter 3's discipline around the salary-versus-distribution decision — a business whose owner comp and cash movements have a clear rationale reads very differently from one where money moves for reasons only the owner remembers.

Owner-independence. Can the business generate its results if the owner is unreachable for a month? This is not a judgment on how hard you work. It is a structural question about what depends on you personally — key relationships, undocumented know-how, decisions that only you are positioned to make. Building a second or third person who can hold those relationships and decisions is not a resignation from your role; it is what lets the business be evaluated as an asset rather than as an extension of one person.

Contracts. Customer agreements, vendor terms, leases, and employment arrangements that are in writing, current, and assignable. A business built on verbal understandings and handshake renewals is harder for anyone — including your own successor — to rely on.

None of these are a checklist item you complete once. They are a description of how the business already behaves when it's operating well, which is exactly why the earlier chapters point here.

Owners sometimes assume these categories only matter to a buyer. They also matter to a lender extending credit, a key employee deciding whether to stay, and a family member deciding whether to step into leadership. Readiness, in other words, isn't a posture you adopt for a transaction — it's a description of a well-run business that happens to also be attractive whenever a transition arrives.

Personal readiness: what the proceeds have to do

The other half of exit-readiness lives outside the business entirely, and it is easy to overlook because it doesn't show up on a balance sheet. If a transition produced proceeds — from a sale, a buyout, or any liquidity event — what does that money need to accomplish for you and the people who depend on you? Covering a gap between the business's income and your retirement income? Funding a specific number of years before other resources take over? Providing for a spouse or family member with a defined need?

This is a wealth-outside-the-business question, and it connects directly to chapter 5: an owner whose independent assets are already built and diversified is not depending on a single future event to fund their life. Personal readiness also depends on the protections named in chapter 6 — what a buy-sell agreement or an estate plan says happens to ownership if a transition arrives unplanned, rather than by choice.

Business readiness and personal readiness are evaluated independently, but they are solved by the same underlying discipline: named purposes, documented structure, and decisions made ahead of the deadline rather than during it.

Why order of operations pays

Here is the connection this chapter exists to make explicit: the sequence in chapters 2 through 6 — reserve first, then a deliberate salary-versus-distribution decision, then retirement structures suited to owners, then assets built outside the business, then the protections that keep a single event from undoing everything — is not only sound personal finance. It is exactly what makes a business and an owner's life easier to evaluate from the outside. A business with clean books, a functioning team, and current contracts, paired with an owner who isn't personally dependent on a single future transaction, presents a different picture than a business without that order behind it. The order of operations is the readiness.

This chapter does not describe how to market, negotiate, or execute a sale of your business, and nothing here should be read as an offer to broker, value, or facilitate a transaction. That is a different profession with its own license and its own compensation model. What this chapter describes is the ordinary operating discipline — covered across the last five chapters — that happens to leave a business and an owner in better shape whenever a transition, planned or not, eventually arrives.

Do this week: Write two short lists. First, name the two or three things that would be hardest for someone else to do if you were unreachable for thirty days — a specific relationship, a piece of undocumented knowledge, a decision only you make. Second, name what a lump sum of money would need to fund for your life if a transition happened this year — a number of years of income, a specific obligation, a specific person's needs. You don't need answers yet. You need the questions written down where you'll see them again.

Conclusion: The Map Is Not the Territory

You now have the map.

Chapter 1 showed you what your balance sheet is actually telling you: that most owner "net worth" is one illiquid, concentrated position — the business itself — and that separating what depends on the business from what doesn't is the honest starting point. Chapter 2 gave you a way to reason about cash: reserve first, sized to your fixed costs and revenue volatility, then every dollar past that reserve assigned to a named purpose instead of left in one undifferentiated pile. Chapter 3 walked through why the salary-versus-distribution split is a coordinated decision — entity type, payroll tax, retirement contribution ceilings, and lender optics all pulling on the same number — and why it belongs in a conversation with your CPA, not a scramble in April. Chapter 4 laid out the mechanics of the retirement structures built for owners — solo 401(k), SEP-IRA, SIMPLE, defined benefit — and why the right one depends on your payroll, your age, and your cash flow rather than on which plan you've simply heard of. Chapter 5 named the discipline problem directly: money kept outside the business only stays outside the business if you have a policy that survives the temptation to re-raid it every time the business needs cash. Chapter 6 covered what key-person coverage, buy-sell agreements, umbrella liability, disability coverage, and basic estate documents are actually for — not products to own, but exposures to close. Chapter 7 connected all of it to the long runway: a business that's clean, documented, and not dependent on you personally, held by an owner whose life isn't dependent on a single future transaction, is simply better positioned — whenever a transition eventually happens, on whatever timeline it happens.

None of that was withheld from you. It's the actual map, given in full.

What's left is not information. It's coordination.

Here's the honest recap: nothing in this book required you to hire anyone. You could take these seven chapters, work through each "do this week" exercise, and make real progress on your own. Some owners do exactly that.

What the book can't do is sit in the room when your CPA, your attorney, and your advisor need to agree on a single number — the salary split from chapter 3, say, or the buy-sell valuation method from chapter 6 — and make sure that number shows up the same way in your tax filing, your operating agreement, and your retirement plan. It can't notice when a decision made in one professional's office quietly conflicts with a decision made in another's, because none of them see the whole picture and none of them are tasked with reconciling it. That's not a knowledge gap. It's a coordination gap, and it's the same one this book opened with.

Closing it is either something you do yourself — chasing down your CPA, your attorney, and your advisor separately, translating between them, keeping the whole picture in your own head — or something a team does for you, inside one engagement, because coordinating those professionals together is the actual job.

What working with us looks like

Build Wealth Partners is a fee-only financial planning and business consulting firm. One engagement, bundled — wealth management and business consulting together, because for a business owner those two things are never really separate. We don't charge based on assets you hold with us; there's no asset minimum to work with our team. Our team includes CFP® professionals, and we act as fiduciaries, which means our obligation runs to you, not to a product or a commission. The only compensation we receive comes from clients, paid as a flat fee for the engagement — never a transaction, never a percentage of anything you buy or sell.

Whether that feels like a done-with-you process, where you stay closely involved in each decision, or a done-for-you process, where the coordination happens and you're brought in at the decisions that matter to you — that's a description of how the same engagement feels, not a choice between different products or price tiers. It's one engagement, built around a profitable owner's actual problem: not a lack of information, but a lack of someone coordinating the professionals who already have the pieces.

Where to go from here

If you want a faster read on where you stand today, take the two-minute Owner Money Type quiz on our site — it will tell you which of this book's chapters matter most for your situation right now. If you're ready to talk through your own map, schedule a conversation with a CFP® professional on our team.

You already have the secrets. What's left is execution — and that coordination is the work our engagement is built around.

Disclaimers

Reviewed by Addison Taylor for Build Wealth Partners.

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