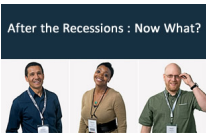


After the Recession: Threats and Opportunities for Entrepreneurs

Written by Vanessa Hall

Thursday, 06 October 2011 00:00



Unfortunately few operating businesses are immune to the effects of the recent credit crunch. As the threat of possible inflation and rising prices continues, oftentimes available credit will tighten. Small business owners may be left to restock inventories with less liquidity. This effect can quickly snowball and cause serious liquidity and credit problems. Keeping lines of credit open and maintaining an additional cash buffer may ease the pressure a bit. Business owners can also look for loans from less traditional sources. A permanent life insurance policy, for example, provides death benefit protection, but can build equity in the form of cash value you can borrow against should you need to.

Opportunity: Retirement Contribution Tax Deductions

Many business owners are so certain they will be able to fund their retirement through the sale of their business that they don't bother to make any other retirement plans. The reality is, a sale might not be easy and there are attractive opportunities for current tax deductions through qualified retirement plans.

Traditional plans remain popular and include IRAs, 401(k)s, SEPs and SIMPLEs. They allow employers to take a tax deduction on contributions. The 412(e)(3) plan may allow certain small business owners to make potentially higher initial tax deductible contributions. You should consult your tax or legal advisor prior to establishing a qualified retirement plan.

Opportunity: Increased Unemployment Results in Larger Employee Pool

For employers looking to bring on new employees, the down economy may actually benefit their business. Increased unemployment has flooded the employee pool with more highly qualified candidates than ever before. Employers shouldn't overlook potential candidates because of the stigma of having been laid off. The job market presents the opportunity for small business owners to attract and retain big business talent at small business costs. It may also be wise to hire commission-based employees, often known as "pay for performance." Employers will find an increasing number of qualified individuals that may have never considered commission-based compensation before, willing to give it a try.

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¹ *The cash value in a permanent policy is accessed through policy loans, which accrue interest*

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at the current rate, and cash withdrawals. Loans and withdrawals will decrease the available death benefit and cash value.