



Phone: (847) 463-1967 Fax: (847) 463-1967
200 E. Evergreen Avenue Suite 130 Mount Prospect, IL, 60056
www.newvisioncpagroup.com

Why You Need to Know Your Personal Financial Risk Tolerance

The more I work with entrepreneurs and small business owners, the more I see the need for a confidante who understands them and their business. Someone to talk about their personal financial risk tolerance before and during their business ownership.

Entrepreneurs by nature are risk-takers. This we already know.

That's why they often have the courage to jump into something that hasn't yet been proven to be a success. Often times, despite doubts and concerns from friends and family, they will go ahead and make their dreams a reality through hard work and sheer grit.

But there's one thing that a large majority of business owners – especially women business owners - forget to do as they search for funding or build their business from the ground up. They don't set limits around their own personal financial life.

They are so busy focusing on the day-to-day that they neglect to protect themselves. There is this mentality that if they don't acknowledge it, they can deny the possibility of financial ruin.

Believe me when I say that though this option is not fun and glamorous to imagine, it's even worse when it happens.

And it does happen.

There are many former business owners I know that had they addressed this from the get go, their business would still be well, in business. So I tell all my clients – know what you can handle and plan ahead.

Every entrepreneur (and let's face it, their spouse or partner) has a different tolerance for risk. Many entrepreneurs jump into a new

business venture without stepping back and discussing what is the breaking point of when they should change course. Or on the other extreme, how to save for a rainy day if the business hits a jackpot month.

I know your idea is different. Your business is going to go from 0 to \$1 million in sales in year one or 0 to \$100,000 in sales in year one for the solopreneur.

But what happens when it doesn't? Or worse, what happens if you have an awesome month and expand like the next month is going to be bigger but it's smaller? It can be a heartbreaker.

Luckily, financial and cash flow tools are abundant right now. There are professionals who can help you read your financials and work with you in real time (thanks to cloud technology) to understand your reports and cash flow for your business.

Remember, a good financial advisor will keep your personal financial risk tolerance in perspective with your actual business risk tolerance. It's taking a holistic approach. And it probably goes without saying that it's critical you feel comfortable with the advisor you're working with.

Too many entrepreneurs only focus on their business and forget about how the personal and business are quite often tied together. Without good personal financial health on your end, you can't give your business the focus it needs. Setting limits and knowing your personal risk tolerance can be the perspective you need to run your business to the extreme.