FINANCIAL PLANNING

'Bootstrap' Your Business

Talk to a group of entrepreneurs about their startup operations and you can guarantee the word 'bootstrapping' will come up in conversation.

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The term doesn't describe the next big dance or exercise fad, but rather a pull-yourself-up-by-your-bootstraps mentality that many business owners have taken with their finances. It also means little or no funding from large venture capital firms, as well as a strict approach to spending and saving.

Many of today's most successful businesses started with a few thousand dollars and a savvy businessperson at the helm devoted to steady, organic growth. Less funding from investors means the entrepreneur can keep more of the profit and continue to make decisions on his or her own – without having to check with financial backers.

So how exactly do you bootstrap a business?

CUT COSTS – EVERYWHERE

If you want to become a successful businessperson, you may have to be willing to live as a minimalist for the first few years of starting your company. There will be certain aspects of running an operation that you will have to pay startup costs for, including necessary licensure, equipment or technology, but other spending will be on a very limited level.

The cost-cutting exercise will impact your personal finances. The less money you spend on eating out, entertainment and clothes, the more you can reinvest into your company. Before going all-in on starting a new business, you may have to ask yourself if you're committed to living a lean lifestyle before your company takes off.

FIND SAVINGS – EVERYWHERE

Just because you're on a bootstrap budget doesn't mean you can't secure large amounts of funding. Small business grants are available from many resources, including state governments and private groups.

Earning a grant will likely require a written or video submission describing your business vision and how the funds will help you grow. Take the time necessary to complete your application because many grants have specific formatting and content specifications.

Online crowdfunding is another monetary source that has become quite popular among the entrepreneurial crowd. It is a form of microfinance that does not require repayment, instead calling for donations and support from the general public. You can find websites that help spread your message in exchange for a small percentage of the funds you raise.

Survive a Job Loss

It can happen to anyone. A corporation lays off a mass of employees. A small business shuts its doors. An entrepreneurial bubble bursts.

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No matter where you live or what your employment situation may be, there is always a chance you could suddenly lose your job. The less warning you receive, the more difficult it will be for you to properly plan for the tough financial and emotional road ahead.

SEVERANCE PACKAGE

If you're fortunate enough to be offered a severance package from your former employer, it will be up to you to wisely maintain the lump sum or payments you receive.

Review your severance package closely to understand all of its working parts. Typical agreements contain your pay terms, vacation pay terms, benefits information, return of property standards, non-compete clauses and confidentiality requirements.

MAINTAIN INSURANCE

One of the highest costs you will incur on your own is that of health insurance, especially if you're used to your company paying a majority share of it. It is important to maintain your insurance, including health, life and disability because the last thing you need while unemployed is to suffer a major injury or sickness that you cannot afford to have properly diagnosed.

WEATHERING THE STORM

Other tips from the Financial Planning Association include:

• Talk to your spouse or other close family members about what you're facing financially. They will be able to offer their support, as well as ideas for helping you through the situation.

• Consider government or private assistance, especially if either can mean the difference between you paying your bills and ending up in major debt.

• Start looking for work soon. Rely on your connections to find your next paycheck. Network through social media and job boards, through which you may be able to also find headhunters, job placement opportunities or professional services to improve your search.

Raise Money-wise Children

While school is a great place to become educated about math, science and English, the art of savings and maintaining good credit are lessons that generally are taught at home.

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As a parent, it is up to you to devise unique ways to teach your children to be smart money managers. The values you instill in them from an early age are ones that can carry over into lifelong principles and lead to excellent financial health. Depending on the age of your child, there are many ways to teach smart financial sense, even from as young as 2 years old.

GIVE THEM CONTROL

An allowance is the first interaction your child will have with earning money. It may seem minor to you — probably only a few dollars a week — but the most important aspect of receiving an allowance is deciding how to spend it.

With only light guidance from you, let your child have the power of spending his or her allowance. Teach your children about the importance of savings and also buying for others. Having the responsibility of money management gives children opportunity to feel both the positives and challenges of making financial decisions.

SMART SHOPPING

One of the best ways to guide your budding finance enthusiast is to engage them in shopping. Before you even head out the door for your groceries, sit down with your child and clip coupons. Give them a stack of coupons you won't be using and teach them how to find great deals and compare product prices.

Once you arrive at the store, build in a few game-like activities that your child can take the lead on. Make a contest out of finding the products that correlate with the best coupon deals. Show your enthusiasm as you rack up the savings, and be sure to give your children plenty of positive reinforcement while they help you cut your grocery costs.

TEACH TEAMWORK

Teamwork is a paramount value of smart money management that your children need to learn early on. By providing them responsibilities and giving them choices, you are automatically offering them a voice at the family's financial table.

Remember that they are probably going to make financial mistakes as they age. Even a decision as small as spending their entire allowance instead of saving a dollar or two from it can be addressed by you. By working together, you can help raise a child who respects money and the responsibilities that come with it.

Becoming a Landlord

Deciding to enter the world of property rental can be lucrative. Whether you're fixing up and renting out affordable homes or becoming a landlord because your home won't sell, it's a great way to earn money.

There are some things to consider before drafting up a lease and putting your home on the rental market – ones that can save you financial headaches later on down the road. As always, consult with a professional Realtor, lawyer or financial advisor on any questions that are out of your area of expertise.

CREATING A LEASE

A quality lease protects both the landlord and tenant, and also complies with fair housing, rental, health and safety, and insurance laws of your region. These laws differ across states, counties and cities, so it is best to work with a local lawyer in creating your lease.

A lease should spell out the following, according to the American College of Real Estate Lawyers:

• Lease term: A month-to-month lease offers more flexibility if you're still trying to sell, while an annual lease provides more stability.

• Security deposit: This is usually one month's rent or more.

• Due Date: Define rental due dates and penalties for late payments.

• Maintenance: Clear lines on who is responsible for repairs, mowing and general upkeep.

FINDING THE RIGHT TENANT

You can find tenants by advertising in the print and online versions of local newspapers. Remember that as the owner of the home, you have the power to turn down prospective tenants.

Ask interested parties to fill out an application, listing their name, employer, salary, previous landlords and references. Once you select a few potential tenants, it's time to run their credit and criminal backgrounds. You can do this yourself though the use of various online credit and background check tools, or by hiring an accredited agency.

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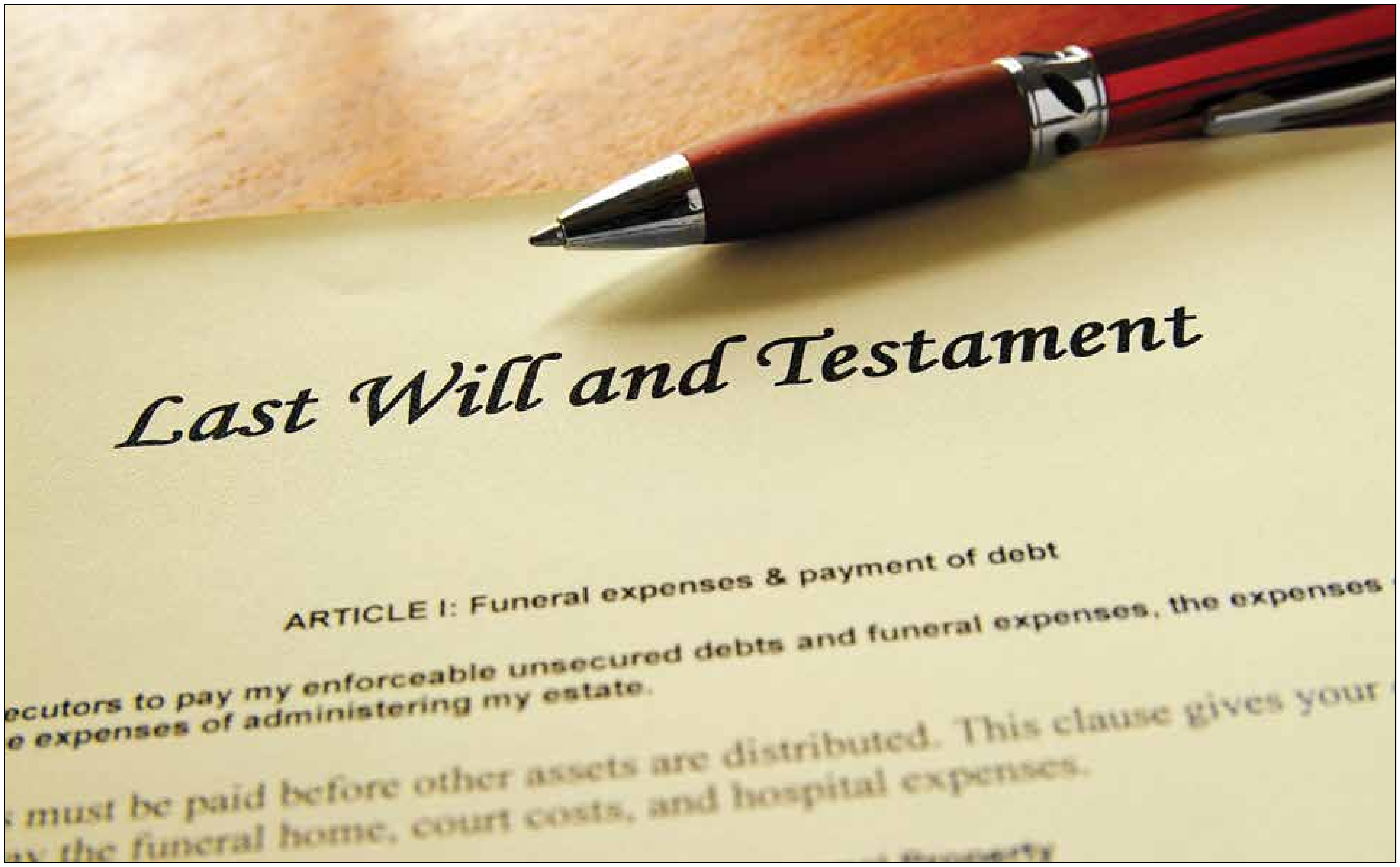
Handling an Inheritance

An inheritance brings with it a range of emotions and responsibility. Along with the pain of losing someone you love, you also may be experiencing an influx of cash that you feel overwhelmed in handling.



Americans lose 90 percent of inherited wealth by the third generation, according to a recent report in the Wall Street Journal. You can avoid suffering the same financial fate by remaining disciplined in your spending and smart in your investments.

START A SAVINGS PLAN

Depending on the size of your inheritance, one smart option is placing the majority of it in an FDIC-insured money-market account. There are options for short-term accounts with larger interest rates than a regular savings account.

Keeping the money separate from your checking account will help you in avoiding irresponsible spending – the main reason for the previously mentioned wealth loss statistic. Create a little distance between you and your new money by finding safe, interest-friendly havens for it.

CONSULT A PLANNER

You can find a fee-only planner who doesn't work on commission by visiting www.napfa.org, the website of the National Association of Personal Financial Advisors. The organization urges people to interview several advisors before you select one.

Your advisor will help you come up with a customized financial plan, guiding you in defining your short- and long-term financial goals. You may be able to find free financial counsel in your area through events like Financial Planning Days – a collaborative effort between financial planning organizations, government agencies and schools, municipal buildings and libraries that delivers free financial counsel.

KEEP YOUR JOB

"Take this Job and Shove It" may be a song that comes to mind if you inherit a large sum of money. But you may want to reconsider singing that tune to your boss. Some people treat their windfall of money as an opportunity to rapidly improve their lifestyle by buying a bigger home, a new car and other luxuries all at once.

The National Association of Personal Financial Advisors urges clients to spread out their spending over the years while still maintaining employment to pad their savings or retirement account.

Set a plan in place to limit your monthly spending – and stick to it.

You and Your Planner

One of the most significant non-family relationships in your life may be the bond you share with your financial planner. After all, your money can be just as important to you as it is to them.

You both want to see your money grow as quickly and safely as possible. And you both need to be on the same page to achieve this.

If you have a financial planner, how would you describe your relationship? Collaborative? Non-existent? If you lean more toward the latter, it is probably time to take your money, time and business elsewhere.

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STAY LOCAL

A frustrating aspect of a bad advisor relationship is not being able to get in touch with him or her when you need help the most. That's why it may be best to find a representative on a local level — one who can tip you off on the next big investment wave or guide you through smart savings adjustments.

Local financial advisors who are backed by national firms are likely to be invested in your community, both financially and emotionally. They want to see you be successful with your financial planning goals and will reinvest a portion of their time, resources or monetary support into local causes.

DEFINE YOUR EXPECTATIONS

A strong advisor relationship will require input by you, even if you aren't an expert in finance. You should keep your advisor updated on any changes that happen with your life that may require an adjustment in investment or savings strategies.

Also, if you decide to become more aggressive in the investment portion of your portfolio, you should feel comfortable in discussing the pros and cons of doing so with your advisor. If he or she doesn't know your strategy behind changing your approach, you may not get the most effective counsel.

Paying off Wedding Debt

The cake was delicious, the music was lively, and the photographs turned out great. Now hopefully your wallet isn't crying.

One of the worst ways to start you marriage is in the red. But if you and your spouse ended up footing the bill for your special day, then you may not have a choice. The Knot.com reports that the median wedding cost over the past two years hovered around the $20,000 mark.

Fortunately, there are ways to tighten your belt and pay off that wedding debt. Smart financial planning means you will have a plan in place even before the wedding and honeymoon.

Sticking to the plan will require discipline and commitment, helping you strengthen your new marriage against one of your first tough tests together.

CUT CORNERS

Before you say "I Do," you should take some vows dedicated to a more affordable wedding. There are certain aspects of your special day you may be able to scale back on, including:

• Venue Size: As long as your guest list isn't out of control, opt for a smaller venue. Not only will it save you money, but it will also give your ceremony a more intimate feel.

• Ask for Help: Instead of registering at a store for gifts, you can ask friends and family members to help you with planning. Do you have an aunt with a flair for the kitchen? Maybe she can help bake cupcakes or put together a candy buffet. Know a skilled photographer? They may be willing to donate their services as your gift.

CREDIT CARDS

You may have had no choice but to put large wedding expenses on your credit cards. If so, sit down with your spouse and determine a feasible monthly payment that is larger than the minimum required by your credit card company.

Credit cards are the best place to start when trying to save yourself money in the long run. By taking on more than the monthly payment, you can eliminate interest that would otherwise be piling up on your account.

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