LET'S TALK MONEY®

January/February 2022

When Spouses Are Co-owners

Spouses who own a business together know the challenges of mixing their personal and professional lives. But what happens if the time comes when one partner wants something different? Here are a few options to consider when divorce, the desire to pursue a different occupation, or loss of interest in the business affects your business partnership.

Consider a Buyout

With a buyout, one spouse agrees to purchase the other spouse's interest in the business. Generally, a buyout between divorcing spouses is tax free and is not considered a sale for tax purposes, as long as the buyout occurs within a specific time frame related to the divorce. Both partners will need to agree on the valuation, and each spouse may want to hire his or her own appraiser.

One issue with a buyout may be the difficulty of one spouse coming up with cash or other liquid assets to buy the other spouse's share. Dividing other marital assets equal to part of the business's value or agreeing on installment payments in place of a lump sum are possible options. Keep in mind that a future sale of the company could have tax consequences for the spouse who retains the business.

Sell the Business

Selling the business is a potential solution if one or both of you decide to move on to something else. Before you decide on this option, consider whether the business's profitability and market value are likely to attract a third-party buyer under current economic conditions.

Remain Co-owners

If one spouse opts for a different career, you may choose to retain the business alone or with a new partner. When, divorcing spouses are both interested in continuing to run the business, co-ownership may be an option. However, success depends on both spouses agreeing to conduct their business relationship as if they had never been married.

Have an Exit Strategy

Your original business plan should include an exit strategy. Unlike succession planning, which grooms a successor to assume a departing owner's duties, exit planning defines the process for transferring a company and its ownership to another person, team or entity. Having an exit strategy in place when you start your business can prevent conflict later.

Karen Petrucco
Account Manager

LTM Client Marketing
45 Prospect Ave
Albany, NY 12206

Tel: 800-243-5334
Fax: 800-720-0780
sales@ltmclientmarketing.com
www.ltmclientmarketing.com

I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Small Business Version

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helping financial professionals stay connected

Natural Disasters: Are You Covered?

Hurricanes, wildfires, catastrophic flooding — if your home or business were affected by a natural disaster, would your current insurance cover the damage? You might be surprised to learn that a typical homeowners or business insurance policy generally does not cover flood damage. For that, you'll need flood insurance.

Getting Flood Insurance

The National Flood Insurance Program (NFIP) provides coverage for dwellings and their contents to people living in one of 23,000 participating NFIP communities. Homes and businesses located in high-risk flood areas with mortgages from government-backed lenders are required to have flood insurance. Flood insurance is available through the federal government and private insurers.

Federal Assistance

The federal government provides disaster assistance following a Presidential Disaster Declaration. Assistance comes in two forms: loans that must be paid back with interest, and grants, averaging $5,000 per household. More information is available at fema.gov.

However, flooding can happen anywhere at any time due to poor drainage systems, summer storms, broken water mains, etc. Flood insurance pays for damage to your home or business regardless of whether there is a disaster declaration.

Separate Coverage

Flood insurance offers building coverage and content coverage. Policies generally have separate deductibles. Building coverage pays for damage to structures, electrical and plumbing systems, furnaces/water heaters, foundations, detached garages, fuel tanks, well-water tanks/pumps, solar energy equipment, etc. Coverage limits for homeowners are typically $250,000 for buildings and $100,000 for contents. Coverage limits for businesses are up to $500,000 for buildings and $500,000 for contents. Businessowners may want to purchase additional insurance for valuable equipment and property not covered by a flood insurance policy.

Other Disasters

People in earthquake-prone areas may be able to purchase earthquake coverage as an add-on to a homeowners or business policy, or as a separate policy. Although fire damage generally is covered by homeowners and business insurance, special coverage may be available in certain brush and wildfire areas.

Post-disaster Tax Filing

Although taxes may be the last thing on your mind after a disaster, filing a tax return may help you recoup some of your losses. But reconstructing documents can be challenging.

You'll need the lost records for federal assistance, reimbursement from your insurance company and reporting losses on your return. Financial institutions, title companies, insurance providers, contractors, city/town tax offices and the IRS can help you replace records that are missing.

The IRS often allows penalty-free extended filing deadlines and payments for affected residents and business owners following a federally-declared disaster, and states typically follow suit. This relief also usually applies to those whose tax records were in the damaged region and workers from other areas who provide help to victims.

You can stay informed of filing deadlines by visiting the Tax Relief in Disaster Situations page at IRS.gov.

How to Stop Living Paycheck to Paycheck

If it seems your money is spent soon after you get your paycheck, it's probably time to make some changes. Controlling spending may be hard, but it's not impossible. Here are some ideas to help you get started.

Find Out Where It's Going

It's easy to lose track of how much you're spending. Keep a log of everything you buy. At the end of each week, review your log to see where your money is going.

Create a Spending Plan

Start by reviewing your fixed monthly expenses, such as mortgage or rent, insurance, loan payments, and so on. Determine how much you typically spend on food, utilities, and discretionary items, including dining out and subscriptions. Then look for places to save.

Automate Your Savings

Set up automatic transfers to savings each pay day. Having your savings account at a different institution from your checking account may make it harder for you to transfer money out of your savings. Add any bonuses, raises, or tax refunds you receive to your savings.

Eliminate Debt

Prioritize paying off personal loans or credit card balances. Reducing high-interest debt immediately increases your ability to save.

Meet with Your Financial Professional

The sooner you act, the sooner you'll stop living paycheck to paycheck.

How Much Should You Save?

Determining how much you need to save is different for everyone, but here are a few general guidelines that apply to most people.

Your Emergency Fund

A major expense or a sudden job loss can devastate your finances if you're not prepared. Money you set aside in an emergency fund can help pay for an unanticipated repair or medical bill or cover your living costs while you're not working. Your goal should be to save 6-12 months' worth of expenses in a savings or money market account that allows you quick, penalty-free access to your cash.

Your Savings

The amount you save for a specific goal, such as a new car, a down payment on a house or a vacation, will vary, depending on what you're saving for and when you'll need the money.

Your Retirement

The general rule is to save at least 15% to 20% of your income in a retirement account. Make sure you save enough to take full advantage of any company matching funds, at a minimum, and save more if you can.

Majority of Americans Live Paycheck to Paycheck

According to the research, 54 percent of consumers in the US (125 million adults) are living paycheck to paycheck and 70% have less than $15,000 saved for emergencies.

RESEARCH RESULTS BY INCOME BRACKET

Household Income	Over $100,000	Between $50,000 & $100,000	Less than $50,000
Live Paycheck to Paycheck	40%	53%	72%
Struggle to Pay Bills	12%	18%	33%

Source: Reality Check: Paycheck-to-Paycheck Study, June 15, 2020

Protect Yourself with Business Insurance

Running a small business can be challenging enough without worrying about unexpected events that threaten your company and your livelihood. That's where business insurance can help. Business insurance protects both your personal and business assets from catastrophic events, such as a fire, or from liability due to bodily injury, property damage or product defects.

Several Options

Insurance companies offer several types of business insurance: general liability, which includes protection from financial loss resulting from bodily injury, property damage, medical expenses, lawsuits, judgments, etc.; commercial property, including damage to property from weather events, civil disobedience and vandalism; product liability; professional liability; home-based insurance; and businessowner's policies. Minimal coverage for owners of small businesses to consider include a businessowner's policy and home-based business insurance.

All in One

A businessowner's policy (BOP) offers protection from all major property and liability risks in one policy. Combining coverage under one umbrella may save you money. BOPs provide protection in the following areas:

- Property insurance covers buildings and their contents owned by the business. A businessowner can choose either standard coverage or more comprehensive special coverage.
- Business interruption insurance covers the loss of income as a result of a major catastrophe, such as a fire, that prevents your business from continuing to operate. The policy may also cover expenses incurred while operating your business from a temporary location.
- Liability protection covers financial loss to your business resulting from bodily harm or property damage caused by defective products, faulty installations or errors in services provided.

A BOP does not include professional liability coverage, which protects against financial loss resulting from malpractice, errors and negligence. Businesses that provide services to customers may want to add a professional liability policy to their other coverage.

When You Work from Home

Small business owners whose business is run out of their personal homes may want to consider home-based business insurance. Coverage is added as a rider to a homeowners policy and provides liability coverage for third-party injuries, as well as protection for a small amount of business equipment.

Protecting your personal and business assets from financial loss should be one of your top priorities as a small business owner.

We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 04, 2021

Reference: **FR2021-0914-0140/E**
Link Reference: FR2021-0722-0130

1. LTM JanFeb 2022 - Business

Org Id: 23568

Rule: FIN 2210

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

FINRA will host a free live webinar on October 12, 2021 titled "Ask FINRA Advertising Regulation Senior Staff" to answer questions on how to embrace the future of communications while remaining compliant. To register please access the webpage at https://www.finra.org/events-training/webinars/ask-finra-advertising-senior-staff-webinar.

Also, on October 5, FINRA will offer a virtual conference panel titled "Back to Basics: Fundamentals of FINRA Rule 2210" that can be viewed free on demand on FINRA.org.Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.NOTE: We assume that your filed communication doesn't omit or misstate any fact, nor does it offer an opinion without reasonable basis. While you may say that the communication was "reviewed by FINRA" or "FINRA reviewed," you may not say that we approved it.

Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850
t 240 386 4500
f 240 386 4568