



GOLD

FAMILY WEALTH

Becoming More Recession Resistant Through Planning

The last two-and-a-half years have been tumultuous, and owners of small to mid-sized businesses have borne the brunt of the pain. Though few people could have predicted the effects of the pandemic, business owners with plans for a successful future tended to feel more comfortable confronting the challenges they faced.

Now, as whispers about a recession grow louder, business owners are taking stock of what to do next. Let's look at how planning for a successful future can make you more recession-resistant.

Handcuffing the Great Resignation

One of the most intriguing narratives surrounding the current market is the Great Resignation. More employees have resigned their positions for greener pastures, putting the onus on employers to more readily meet their demands. This is a challenge under normal circumstances. But finding and retaining talent is even more challenging in the midst of a potential recession.

However, business owners who have begun planning for a successful future typically have a built-in solution to issues like this. The solution is *golden handcuffs*.

The golden handcuff is a concept in which business owners incentivize next-level managers and key employees to stay with a company long term. These managers and employees have tangible effects on business performance, and their absence would have a noticeable negative effect.

Including golden handcuffs—in the forms of exceptional pay and benefits, opportunities for ownership, and other perks—is crucial to having a plan for a successful future. After all, these are the managers and employees who will take your business to the next level, allowing you to one day leave it on your terms (or die at your desk on your terms).



Michael Gold Founder and CEO, Wealth Advisor

mgold@goldfamilywealth.com

Gold Family Wealth, LLC

55 Post Rd W

Suite 218

Westport, CT 06880

646-844-2533

It can also help you weather the storm of recession-based resignations. Your most important employees are more unlikely to leave for greener pastures if your pasture is indeed the greenest.

Diversifying your (client) portfolio

When recessions hit, they tend to affect most, if not all, of your clients. This can lead to lower demand and smaller margins. However, as is the case in so many other areas of business, diversification is key to long-term success.

In fact, having a diverse customer base is one of the most important drivers of your company's value. It's also a key element of planning for a successful future, both inside and outside of your business.

If you rely on a handful of clients to guide your success, you may be boxing yourself in. Ask yourself: What would happen if I lost just one or two of my biggest clients?

If the answer to that question makes you anxious or nervous, you aren't alone. However, you may need to begin taking steps to widen your range in terms of clientele. There are a couple of ways to begin doing so.

- Create a competitive advantage within your products and services
- Find and hire next-level management to break through to new prospects

Defending what's yours

As interest rates begin to rise, so do the costs of business. This means that protecting what's yours—especially against the drain of taxes—takes on even more importance.

Nearly all business owners love the idea of paying as little in taxes as legally possible. But fewer owners actively take steps to minimize their tax obligations. While there may not be as many tangible effects to forgoing tax minimization when times are good, during a recession, it can have different effects.

Business owners who can minimize their tax obligations could free up more money for business operations, investment, and even next-level management. Though many tax-minimization strategies can take years to implement, savvy business owners start as soon as they can.

Conclusion

Planning for a successful future and preparing for a potential recession have a lot of overlap for business owners. Taking steps toward planning for a successful business future can also have tangible effects on how your business weathers the storm of a possible recession.

We strive to help business owners identify and prioritize their objectives with respect to their businesses, their employees, and their families. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

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