

## Investment Fundamentals for Today's Business Executive

Most small business executives know that it makes sense to build a *personal* investment portfolio apart from the investment in their own companies, but that's often easier said than done. In reality, running a small business can require years of risk and self-sacrifice.

Often, a business owner or executive may be returning most, or all, of his or her earnings back into the business, leaving little or no funds for other personal finance goals. So, what can you, as a business owner or executive, do to help ensure your personal finances receive some much-needed attention?

First, it's important to tighten management and accounting controls in your business. This action can ultimately help make your company financially healthier and allow you more flexibility with your business capital. In addition, if you are like most small business owners and executives, you probably have a large part of your personal wealth tied up in or loaned to your business. Thus, it is important to separate your personal investments from those of your company.

How you manage your personal portfolio will depend on your personal needs and objectives. However, most business owners and executives share two elements of portfolio management in common: **liquidity** and **diversification**. A higher level of liquidity can help provide greater flexibility and may more readily enable you to take advantage of new business opportunities. Diversification is equally important to help manage your portfolio's level of risk. By varying your investments, you may be able to minimize the effects a decline in a single holding may have on your overall portfolio. Keep in mind that, although it may help *reduce* risk, diversification cannot *eliminate* the risk of investment loss.

### Taking Control

Eventually, one of your primary goals (outside of your business efforts) should be to take as much control of your personal finances as possible. The following steps can help you develop a more complete savings and investment strategy:

- Separate your personal finances from your business finances.
- Save a fixed amount every week or month.
- Diversify your portfolio with a wide variety of holdings such as mutual funds, equities, annuities, and bonds.
- Protect your family and your business with proper insurance coverage (life and disability).
- Maintain adequate cash reserves.
- Stay current with regular financial reviews.

Just as long-term business planning and budgeting are important to the ultimate success of your company, the creation of a long-term investment strategy can be of great value to your financial success and your ability to provide for your family.

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