

Startups and saving for retirement

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Executive Summary

Startups are different. Whether a high tech or traditional business the need to grow from nothing creates a different focus for the founders. The founders of a startup will likely pour not only sweat into their company but also money, funds that may have come from their own personal savings including retirement savings. Balancing the success of the startup with the needs of the founders often requires an outside perspective to work through. A strong network of advice and support in a variety of areas can often be the difference between success and failure for startup businesses.

Founding concerns

Some startup founders are serial entrepreneurs who have an established network of contacts, consultants and funders others are realizing a passion for business for the first time. For those pouring their own money into a startup it is important to get good advice. Penalties, taxes, loan interest and other concerns can come into play when tapping existing retirement savings.

The endgame

For some startups the endgame is to sell the company in part or in whole to realize the value built up in it. The value of a startup or any business is often the business owner's largest asset and knowing how to value that and how that looks in an overall portfolio is also an important consideration. While some financial advisors only look at easily valued publicly traded securities in their client's portfolio others will look at the value of a business as well giving a more complete financial picture.

Attracting talent to your company

Many startups will offer equity to their early employees. Additionally traditional benefits like insurance and retirement savings may also be important earlier than many entrepreneurs think especially as the employment climate gets more and more competitive. There are retirement plans designed to complement employee stock and plans designed for startups some with quite low expenses.

Setting something aside for yourself

As entrepreneurs put so much time, energy, and money into the success of their new business it is important for them to invest in themselves as well. Not every company is going to be the next "big thing" most don't intend to be, but rather turning a passion into a profession. Remember as your business grows to set something aside for yourself. Build a rainy-day fund, a savings account, and eventually long-term savings whether for your next project or for your personal future.