chapter3.
FINANCIAL PLANNING

A CHAPTER3 GUIDE

The Business *Freedom Plan*.

Building wealth beyond your business.

A practical plan for turning business success into personal financial independence — whether you sell, step back or keep going.

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A successful business does not automatically *make work optional*.

Many owner-managers have:

- a profitable company;
- a good income;
- valuable shares;
- relatively little personal wealth outside the business.

The household works because the business works.

That may be perfectly manageable while things are going well. The risk is that too much depends on one asset, one source of income and one future event.

A sale may eventually happen, but the timing, price and structure are rarely fully within the owner's control.

> **The business becomes something you choose to own — not something the household must continue to depend on.**

Where are you today?

1. **The business pays for everything**
   Most income and wealth still depend on the company.

2. **Personal wealth is beginning to grow**
   Pensions, ISAs, cash and investments are starting to matter.

3. **The business is becoming optional**
   Wealth outside the company could support the household for several years.

4. **Work is optional**
   The household could maintain its lifestyle without relying on the business.

5. **A future sale is additional wealth**
   A sale would improve the plan rather than rescue it.

Too much value can remain *tied to one company*.

Surplus profits are often dealt with reactively. Cash accumulates in the company, extraction happens when a tax deadline approaches, and personal investing is fitted around everything else.

The business may continue to grow, but the family balance sheet remains dependent on it.

WITHOUT A JOINED-UP PLAN

Business profits

Cash accumulates or is extracted reactively

Personal wealth grows slowly

Retirement still depends on the business

A future sale carries too much responsibility

WITH A BUSINESS FREEDOM PLAN

Business profits

Working capital and reserves are identified

Surplus cash is given a purpose

Pensions, ISAs and investments are funded deliberately

Personal wealth grows outside the business

Keep, step back or sell becomes a genuine choice

The aim is not to empty the company or extract every available pound. The aim is to decide what the business genuinely needs and what can begin working for the family elsewhere.

> **Every pound should have a job: operate the business, protect it, invest for the future or support the household.**

First, work out what would *make the business optional*.

Most owners have an idea of what the business might be worth. Far fewer know how much personal wealth they would need for work to become optional.

That is the **Freedom Number**.

It is based on:

- the lifestyle the household wants;
- existing pensions, ISAs, cash and investments;
- future secure income;
- how long the money may need to last;
- tax;
- investment risk;
- how flexible future spending can be.

It is not one simple multiple of income. It is a personal planning number that can be modelled and revisited as life changes.

Two numbers matter

FIRST NUMBER

The Freedom Number

The personal wealth required to support the household without relying on the business.

SECOND NUMBER

The business gap

The amount that still needs to be built through future profits, ownership income, a partial sale or an eventual exit.

FIRST NUMBER Freedom Number	–	ALREADY IN PLACE Existing personal wealth	=	SECOND NUMBER Business gap

Once those numbers are visible, the owner can stop asking *“What could I sell the business for?”* and start asking *“What does the business actually need to contribute to the life I want?”*

> **A business should not have to carry an undefined retirement target.**

Six decisions bring the business and *personal plan together*.

1.

Know your Freedom Number

Understand the personal wealth required for work to become optional.

2.

Decide what the business needs

Separate working capital and a sensible business reserve from genuinely surplus cash.

3.

Move profits intelligently

Coordinate salary, dividends, pensions and other routes across the household and over several tax years.

4.

Build wealth outside the business

Use pensions, ISAs, personal investments and, where appropriate, corporate investments to reduce reliance on one company.

5.

Protect the household and the business

Make sure illness, death or the loss of a key person would not undo the wider plan.

6.

Compare the future routes

Understand what keeping the business, stepping back, selling part or selling fully would mean for the household.

These decisions are connected. The right extraction strategy depends on the Freedom Number. The right investments depend on when the money may be needed. The right exit route depends on what the household already has outside the company.

> **The value comes from making the decisions together rather than dealing with each one separately.**

James has a good business — *but no clear personal destination*.

James is 49. His company is profitable and holds a substantial amount of cash. He and his wife have pensions and ISAs, but most of the family's future still depends on the business.

James assumes he will eventually sell. He does not yet know:

- when he wants work to become optional;
- what annual lifestyle the family wants afterwards;
- how much personal wealth is already available;
- how much cash the company genuinely needs;
- what an eventual sale would need to produce.

BEFORE THE BUSINESS FREEDOM PLAN

- The value of the business is discussed, but there is no Freedom Number.
- Company cash has not been separated by purpose.
- Pension and ISA funding happens inconsistently.
- Personal investing is secondary to the business.
- Protection was arranged several years ago and has not been reconsidered.
- “Sell one day” is the only clear route.

AFTER THE BUSINESS FREEDOM PLAN

- The household has a defined Freedom Number.
- Existing personal wealth is included in the calculation.
- Company cash is separated into operating capital, reserve and potential surplus.
- A multi-year pension and investment plan is agreed.
- Protection gaps are identified.
- Keeping, stepping back and selling are compared against the same personal objective.
- The next twelve months of action are documented clearly.

James may still decide to sell the business. The difference is that he now knows what the sale needs to achieve and how much of the gap can be closed before it happens.

> **The sale stops being the entire plan. It becomes one possible part of it.**

Illustrative example only. Actual recommendations depend on personal circumstances, company structure and appropriate tax and legal advice.

The plan is useful even when *the future route is unclear*.

Many owners are not ready to sell. Some are unsure whether they ever will. That does not mean planning should wait.

ROUTE ONE

Keep the business

Continue owning and running it while gradually building wealth outside it. The household becomes less dependent on future business income.

ROUTE TWO

Step back

Bring in management, reduce day-to-day involvement and retain some or all of the ownership. The plan tests whether the resulting income and personal wealth would support the household.

ROUTE THREE

Sell part or all of it

Understand what the proceeds may look like after tax and how they would support the family over time. The personal planning work should happen before a transaction begins.

THE COMMON FOUNDATION

Whichever route eventually happens, the owner benefits from:

- knowing the household's Freedom Number;
- building personal wealth outside the company;
- understanding the purpose of company cash;
- reducing dependence on one future deal;
- seeing the personal consequences of each route.

You do not need to choose the final route today. You do need to make sure more than one route remains available.

A practical plan *you can act on*.

At the end of the initial engagement, you receive:

Your Freedom Number
A clear view of the wealth required for work to become optional.

A joined-up cashflow model
The business, pensions, investments, future income and household spending shown in one place.

A company-cash map
A distinction between operating capital, business reserve and potential surplus.

A multi-year roadmap
The order in which pensions, ISAs, investments and other planning actions should be considered.

A personal wealth-building plan
A practical approach to building personal wealth and reducing reliance on the business over time.

A protection review
A view of whether the household and business would withstand illness, death or the loss of a key person.

A route comparison
The personal financial consequences of keeping the company, stepping back or selling.

A twelve-month implementation calendar
The actions that matter now, the actions that can wait and the professionals who need to be involved.

Tax and legal work is coordinated with the client's accountant, solicitor or other specialist where required.

> **The purpose is to leave every important decision with someone responsible, a date and a clear reason for doing it.**

First we build the plan. *Then you decide what happens next.*

WEEK ONE

Understand the full position

We gather the personal and business information, understand the lifestyle objective and identify the decisions that need modelling.

WEEK TWO

Model the options

We calculate the Freedom Number, review the role of company cash and compare the realistic ways to build personal wealth and make the business optional.

WEEK THREE

Agree the plan

We walk through the findings, agree the priorities and produce a sequenced written action plan.

After the initial plan

The initial plan can stand alone.

Some clients implement it with their existing accountant, solicitor or other professional advisers. Others ask Chapter3 to help put it into place and keep it updated as profits, tax rules, family circumstances and business plans change.

Ongoing advice is optional.

The initial fixed fee and scope of work are agreed before the engagement begins.

> **You should know what the work will cost, what it will cover and what you will receive before deciding to proceed.**

Start with *one conversation*.

A 30-minute introductory call is usually enough to discuss:

- where the household's wealth currently sits;
- how dependent the family remains on the business;
- what you would like the company to become over time;
- whether company cash, pensions or personal investments are being used deliberately;
- whether the Business Freedom Plan is likely to add enough value to justify the work.

Helpful, but not essential

- a rough estimate of company cash;
- pension and investment values;
- approximate household spending;
- an idea of what you would like work to look like in five or ten years.

Rough figures are enough for the first conversation. You do not need to prepare a full set of documents or know the eventual exit route.

If there is no clear value in doing further work together, I will say so.

Book a 30-minute *introductory call*

BOOK YOUR CALL

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No fee for the introductory call. No obligation to proceed.