



# BUYING YOURSELF A lifestyle

SO WHAT IS SO WRONG WITH BUYING YOURSELF  
A JOB VERSUS BUYING YOURSELF A BUSINESS?  
EVERYWHERE I GO TODAY, THESE TWO SCENARIOS  
ARE COMPARED AND CONTRASTED WITH THE  
FORMER BEING GIVEN ALL BAD PRESS AND  
PUBLICITY AND NO SAVING VIRTUES.

BY RANA JEWELL



in all this is that when it comes time to retire, or resign, from your business, these owners are more likely to have something valuable to sell, whereas the buying-yourself-a-job owners may not. Why? The investor may not want to invest in a business where there is insufficient profits to enable her/him to choose whether or not to work in the business.

But how many small businesses return a profit over and above owners' salary and superannuation contributions? Some, but in my 20plus years in small business and public practice, I know that the majority do not. So does that mean that these owners are stupid and silly and wasting their time and efforts? Certainly the perception and press for buying yourself a job would suggest so.

*If Tina was able to employ this strategy, it saves her the constant stress of always looking to expand, get bigger, employ more staff, and allows her to really focus in on her current profitability, and the lifestyle that she desires to go along with running her business. Also, it's possible that Tina's gross income may increase over the five year period, eg more profitable clientele, increase in her hourly rate, etc.*

*At this point, let me remind you that whilst this concept is simple, usually simple things are very hard to do. Some of you may be shuddering and thinking that "I could never live on \$18,000 (before tax) per year, I need more." Well this concept works just the same for large incomes too.*

IF YOUR LIFESTYLE BUSINESS UNLEASHES UNTAPPED CREATIVITY IN YOU AND PUSHES AND STRETCHES YOU TO GROW ON MANY LEVELS, IT STILL HAS A VALUE EVEN THOUGH IT CANNOT ALWAYS BE EXPRESSED IN MONETARY TERMS

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**D**o you understand the difference between them? Put simply, buying yourself a job means that your business returns to you no extra profit over and above a salary to yourself, including superannuation contributions. Of course, it may even give you less than this.

Whereas buying yourself a business means that there is excess profit over and above owners' salary and superannuation contributions. This means that there is enough profit for you to choose between working in the business yourself, or to decide to employ a manager to run the business for you, and still receive a return on your investment (similar to earning interest on a bank account). With the latter scenario you could be removed from the day-to-day running, and have time to work on the business. This is not only ideal, but inordinately sensible and logical. Also, the hidden meaning

I would like to propose a third option. What about buying yourself a lifestyle? How about accepting at the outset that you may not have something highly valuable to sell at the end of all your years of hard work? Is there then a way to work smarter, and are there any other redeeming features of this option? I believe there are many.

Let's tackle the financial aspect first, as it receives the most publicity. Simply save 10 percent of your gross earnings each year and only invest this money in assets that increase in value.

**Example:**

*Tina is a landscape gardener and earns \$20,000 gross per year for her labour, excluding reimbursement for client materials. If she saved 10 percent of \$20,000 each year for five years, and lived on the balance, she would accumulate \$10,000.*

**Example:**

*Sandra and Tom run their business through a company and the company pays them a salary. Their gross fees are \$850,000 per year. Their plan is to retire in seven years time. If they saved 10 percent of gross fees each year from now until they retire, they would accumulate \$595,000.*

*It so happens that at present Sandra and Tom are at a cross-roads and trying to decide: "do we stay this manageable size with a staff of eight key people, and continue to specialise in providing the highest quality and personalised service to our clients?" or "do we grow the business, get larger, try to increase its value to a potential future investor, and at the same time hope that we can maintain our high quality and personalised service standards?"*

*Incidentally, \$595,000 would be*





considered a healthy price if Sandra and Tom decided to sell their business today. If they proceed to build up the business, would they really sell it for more than this anyway? Perhaps the size becomes unmanageable... perhaps key staff don't like the larger framework, and leave... perhaps standards drop...

Another option for Sandra and Tom is to employ the 10 percent savings plan, look within their business and fine-tune their client base to increase the number of the more profitable and more likeable clientele. At the same time, they could increase the number of weeks holiday they take each from two to four, and they could look to work half a day less each per week so that yoga, music, gardening, weekends away could be re-introduced to their lifestyle.

**Are there any other redeeming features of buying yourself a lifestyle? I believe there are many:**

- We have already mentioned increasing your annual holidays. Many small business owners' take none! Some of my clients plan for 7 – 8 weeks per year.
- What if this small business is something that you have always really wanted to do, but been too afraid? By all means you need to plan financially before giving up your day job – this is essential in any business venture. However, what if it unleashes untapped creativity in you and pushes and stretches you to grow on many levels – physically, mentally, emotionally and spiritually? Surely this has a value,

even though it cannot always be expressed in monetary terms.

- Perhaps this new venture requires you to utilise all of your skills, whereas some employed positions use only a small portion of what we are capable of.
- Maybe it would allow you to carve out the hours that suit your lifestyle. For example, some owners are night owls and enjoy sleeping in but working later into the evening. Others may want to reclaim their nights and weekends for leisure, and still others may want to work part-time, or some nights and have a couple of weekdays free.

#### Patricia's Story

For Patricia, these concepts are not just theory. She has consistently saved not just 10 percent, but 40 percent of her gross fees from day one of her business. The balance of 60 percent is to cover her business and personal expenses. The 40 percent is roughly broken up as: 10 percent for investment, 10 percent for GST and 20 percent for income tax. This means that she always has the cash available for her GST and income tax liabilities.

In fact, in the early years, 20 percent was over and above her income needs. Consequently, in the three and half years since she commenced her business, she has accumulated not just the \$15,200 (10 percent of gross fees), but also has a further \$3,900 sitting in an asset replacement account for her business needs, eg computer upgrade, or replacement. Of course, in the beginning she had little left for personal items but this has continued to increase each year.

From the outset, Patricia set in place a template for a sustainable personal lifestyle, ie 40 hour working week (including one day for professional reading) and seven weeks holiday per year, and has rigorously stuck to a financial model that would lead to her having choices in life. The \$15,200 is now available for investment either in herself, eg a three month sabbatical, or renovations to a residential property that she owns, or public company shares, or a combination of these options.

By saving wealth as she goes, Patricia is able to lessen the pressure on herself and her staff to get big and to do it quick. She is building a valuable practice with high technical and personalised standards for her clients, and at the same time building a nourishing lifestyle for herself.

The possibilities for creativity are endless. The mix is personal and for each individual it will be different.

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## Starting a new business? Have an already established business?

Planning the following:

- Implementation of a new system
- Changes to a current system
- Improve business performance
- Business requirement analysis study
- Project management for optimum results
- Purchasing of hardware and/or software

Contact Retha Holder for first class independent and affordable solutions. For an obligation free consultation session call 027 242 5607 or email [retha@nobel.co.nz](mailto:retha@nobel.co.nz)

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