

Interdependencies

Understand how your business affects your personal financial plans, and vice-versa. Discuss your combined financial situation with your spouse or other family members.

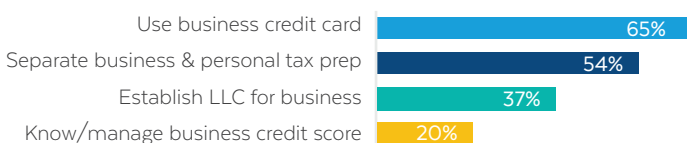
Why managing personal and business interdependencies matters?

As a business owner, your business life and personal life may sometimes feel like they are merged into one. While keeping your business and personal finances separate on a day-to-day basis is strongly advised, understanding the links between your personal finances and your business is imperative if you want to follow your business plan, maintain your lifestyle and meet your long-term goals. Educating your close family members about this connection may provide the support and feedback you need to accomplish your goals.



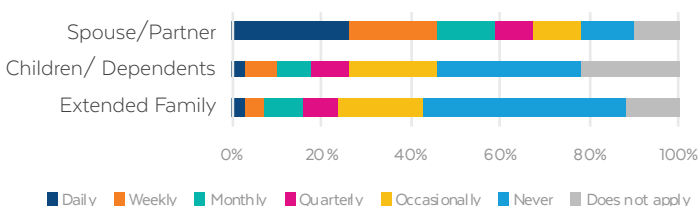
Other techniques used to keep finances separate¹

% of small business owners who discuss finances:



Many owners discuss finances frequently with family members¹

% of small business owners who discuss finances with:



Key actions to take:

If you own your own business, it is important to understand how the net income and value provided by your business affect your personal financial planning.

- Review your business legal structure and tax choices with your advisors:** Closely-held business owners must constantly manage the divide between business assets and personal funds, making sure the way they earn money, pay taxes and store excess funds meets their personal and financial needs. Business legal structures – sole proprietorship, partnership, LLC, corporation, etc. – offer very different tax treatments and degrees of separation between the business and its owners. The best choice for a startup business may not be the best as your business accelerates towards \$5 million in annual revenue, as you consider external equity investment, or when you plan for succession. Consult with your CPAs, attorneys, bankers and other advisors to make sure you have chosen the best structure to accomplish both your business goals and your personal goals.
- Manage with separate business and personal accounts:** Separating personal and business finances is both an Internal Revenue Service (IRS) mandate and a legal best practice. Keeping business and personal expenses separated demonstrates that the business and its owners are distinct entities and helps preserve the “corporate veil” between the two. Avoiding the commingling of funds makes it easier to manage your personal and business affairs.
- Review your financial plans considering asset concentration:** Business owners often have many of their eggs in one basket: their business becomes their largest asset, the source of their annual compensation and the cornerstone of retirement planning. This dependence on the business is increased if owners liquidate other

savings or assets to fund the business. What happens in an industry downturn, during a missed product launch or at the loss of key customers? Talk to your bank, financial planner and CPA about ways that you can diversify your holdings.

- **Manage business and personal debt:** For business owners, business and personal debt should be closely coordinated. Consider how easily business decisions can impact your personal balance sheet. During a seasonally weak period of sales, the company can't pay your compensation, so you draw down on your home line of equity to cover the difference. You want the reward points so you use your personal credit card to book tickets for a company trip. You are offered a business line of credit, and you provide a personal guarantee as security. These decisions represent business expenses affecting your personal assets. You need to be careful and intentional as you make these decisions, both in looking at the total amount of debt that you are guaranteeing and the nature of that risk. Drawing down on your home equity line to fund your business could leave you short if you need funds for unexpected personal expenses at some point.
- **Plan for compensation carefully:** Compensation in a closely-held company is not to be taken lightly and involves making several important decisions. First, there

is the decision of how much to pay yourself in salary vs. dividends. Your corporate structure and tax rates have a part in this decision, but you also need to look at the timing of payments, fixed salary vs. variable dividends, and the availability of reserve funds to support your commitments. Second, finding the best means to move company earnings into personal accounts legally, while considering business and personal needs, takes careful planning. Your CPA can help you here. Remember that compensation may involve yourself and other family members as well.

- **Involve your family in choices:** Your family needs to understand the ties between business fortunes and personal resources. Start by explaining how the upturn or downturn in the business affects: 1. annual compensation to support the family's lifestyle; 2. the family's net worth as determined by its largest asset, the business; 3. your succession and retirement plans; and 4. your day-to-day mood as a barometer for business stress. While you may use reserve accounts, plan debt carefully and diversify assets to buffer business events. Engage an advisor — your CPA, your banker, your financial advisor — to work with your family members to understand the world that sits on your shoulders. Make sure you consult with your lawyer to legally protect your personal assets and to ensure you retain access to your business assets.

How SunTrust can help

Keep your business and personal accounts separate, but closely monitor the relationship between them.

Take the time and complexity out of managing your cash with a [SunTrust Business Checking Account](#). SunTrust offers a variety of business checking accounts and cash management solutions to fit your business and the volume of transactions you handle. SunTrust Business Checking Accounts help you manage your finances securely and conveniently.

Click below for additional resource:

[Protecting Your Assets](#)

A checklist for ways to protect your business and personal assets.

Let SunTrust help you
separate your business
and personal lives.

- Drop by your SunTrust branch
- Call us at 800.752.2515
- Visit suntrust.com/bizbestpractices

¹ SunTrust conducted research with 532 small business owners ranging from \$100,000 to \$2,000,000 in annual revenue in the first quarter of 2018.

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