



Your Cash Flow Game Plan

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When it comes to planning for the next game, the professional athlete knows exactly what to do. When it comes to making the next business deal, the business executive knows the steps necessary to ensure a successful transaction. There is a commonality between the professional athlete and the business professional. Both are experts in what they do and can generate significant income and assets. They are different as well. For instance, the professional athlete has a much narrower window of time to accumulate assets. For both, poor advice or an unscrupulous advisor will not only leave a dent in your balance sheet, but fretting over poor financial planning can impact your performance on and off the playing, or business field.

The proper cash flow planning should provide both sets of individuals the fundamental tools to build and preserve their wealth. Keep in mind; it is important that you are honest with yourself and all of your advisors when doing any type of planning.

Prepare

Look through one month's bank statements (investment, savings, checking, line of credit, and credit cards) and list each item and amount by inflow and outflow. Group the like items together to create categories. Do this again for several more months; ideally a full year's worth of months would be analyzed to smooth out any one time or irregular items. Don't forget to try and capture cash receipts and payments – items that may not show up in a statement. Add all 12 months together by category and divide by twelve. This will give you an "average" monthly cash flow by category while at the same time providing a format to analyze the categories, i.e., where your money is going.

Analyze

Critically and honestly review the average monthly cash flow statement you developed. First, if outflows exceed inflows, you should prioritize and modify your spending habits. In other words, if you are spending more than you bring in now you are already in trouble and should focus your efforts to modifying your spending habits to fit the income you have. Keep in mind that your high earning years may be limited and budgeting for years to come requires spending discipline to save for those leaner years.

Second, even if your spending is less than your income, you should analyze the categories developed. Take some time to establish personal lifestyle goals while considering outside influences. Do you plan to help support some non-immediate family members? You may want to take the time to actually develop your Top 10 goals for lifestyle (i.e. food, shelter, personal financial security, extended family support, charitable giving, etc...). Then, use the prioritized goals you set in developing a budget.

Save

As mentioned above, try and develop your budget to generate positive cash flow or amounts that can be used for short term and long term savings and investment. This is extremely important if your current income is high for a short period of time. Use this period of high income to save as much as possible, to later afford the lifestyle you desire.

Set a goal of having two years of income set aside. This short term savings will help get you through the unforeseen lean times and reduce the likelihood of having to liquidate longer term investments for less than desirable values. Everything you can force yourself to save outside your lifestyle goals should be placed in long term investments to be used in retirement or to be left to your heirs. Choosing an investment advisor that can advise you on sound-peace-of-mind investments and investment strategies that meet your risk tolerance is critical in preserving the nest egg you are seeking to accumulate. Alternatively, you may realize even after budgeting, you aren't putting enough away. This should cause you to rethink your lifestyle goals and lower your spending habits accordingly.

Monitor

After a few months, then every six months, go back to the first step to measure how you are actually doing compared to your established budget, and adjust again as needed. If unchecked, you may just be going through the motions and not using the self-discipline you are so accustomed to in training or in business.

Strategize

The purchase of disability or income replacement insurance may not be common to all individuals, but to athletes and business owners it should be a standard course of action. While the premiums will be an added expense, such a policy will provide additional security and flexibility should the unforeseen arise.

Taxes will undoubtedly be one of your biggest expenditures and planning for deferral or minimization can and should be done with experienced and licensed professionals. Check references of those you seek out and don't just rely on those that seek you out. Contract publicity and other business news can cause many unwanted overtures from those claiming to have you and your family's best interest at heart.

If your lifestyle goals cover disposition of assets to loved ones after your death, make sure to seek out competent estate planning professionals. Even if you aren't inclined to leave bequests to heirs, the proper estate planning professional can save you from having Uncle Sam as your partner, by preserving as many assets without subjecting them to estate tax as the law will allow.

There are many nuances in the cash flow/lifestyle management game where income can actually be generated and expenditures minimized. Ideally, the professionals you seek out to help you – financial planners, accountants, lifestyle managers, insurance specialists, tax experts, estate planning advisors, attorneys, etc... should work together and in harmony with your lifestyle needs and goals as their baseline. Even more ideal would be to search out those experienced and trusted professionals that can provide you the necessary guidance, advice and action on more than one front. Multi-family offices are uniquely equipped to offer you some of the most competent advisers and provide you a single source or point of contact to offer most if not all of the services that you may require. Look for those that offer independent and objective advice (i.e., avoid those that look to sell products while also advising you) as well as those that provide financial education so you can take part in your own planning.

Now, play ball!

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