

Financial Advisors for Entrepreneurs: Choosing the Right One

By The Verdence Team

Key Takeaways:

- What are the unique wealth management needs of Entrepreneurs?
- What qualities should an Entrepreneur look for in a Financial Advisor?
- How do I research potential advisors?
- What questions should I ask a potential financial advisor?



What Are the Unique Wealth Management Needs of Entrepreneurs?

Entrepreneurs' income streams can fluctuate dramatically. Unlike employees who receive steady paychecks, entrepreneurs often experience irregular income patterns, especially during the early stages of business development. This change in income requires a unique approach to financial planning. The right financial advisors for entrepreneurs understand the importance of crafting financial plans that can accommodate these fluctuations. This way, entrepreneurs can have the necessary liquidity to weather the ups and downs while still working towards their long-term financial goals.

Business owners also face a variety of investment opportunities and risks. From allocating capital to fund business growth to exploring external investment options, they must navigate a complex landscape of investment decisions. As a result, they often have a higher risk tolerance compared to traditional investors. Entrepreneurs are accustomed to taking calculated risks in pursuit of their business objectives. Therefore, great financial advisors for entrepreneurs possess the experience to assess risk profiles, identify suitable investment opportunities, and develop tailored investment strategies that align with their clients' risk tolerance as well as business objectives.

Of course, tax implications and business structure play a crucial role in the financial landscape, too. The choice of business structure, whether it be a sole proprietorship, partnership, corporation, or limited liability company (LLC), can have significant implications for taxation, liability, and operational flexibility. Therefore, entrepreneurs must navigate a complex web of tax laws and regulations, including deductions, credits, and compliance requirements. The right financial advisors for entrepreneurs are well-versed in tax planning strategies tailored to those specific needs. Financial advisors empower these clients to focus on maximizing opportunities for success. They do this by helping to optimize tax positions and deductions, following compliance with relevant tax laws, and preserving and protecting assets.

What Qualities Should an Entrepreneur Look for in a Financial Advisor?

When seeking a financial advisor for entrepreneurs, prioritize finding someone who specializes in working with individuals in the same field. Advisors with expertise in entrepreneurship understand the unique challenges and opportunities that come with running a business. They can offer tailored advice and strategies that align with the entrepreneurial mindset. They also provide invaluable insights into managing cash flow, funding growth initiatives, and optimizing investment opportunities. By partnering with a specialized advisor, entrepreneurs can benefit from this targeted guidance. Their specific needs and goals are addressed, fostering a collaborative relationship built on mutual understanding and trust.

Experience is another critical factor to consider. Entrepreneurs should seek advisors who have a proven track record of navigating entrepreneurial finances successfully. An experienced advisor will have encountered a variety of financial scenarios and challenges unique to entrepreneurship, equipping them with the knowledge and skills needed to guide clients through various stages of business development. Whether it's managing rapid growth, navigating economic downturns, or planning for succession, an experienced advisor can provide invaluable guidance and support, while helping entrepreneurs navigate complex financial decisions with confidence and clarity.

Accessibility and communication style are essential aspects of the advisor-client relationship that should not be overlooked. Entrepreneurs need an advisor who is accessible and responsive, someone they can rely on for timely advice and support when needed. Effective communication is key to fostering a productive and collaborative relationship. Entrepreneurs should look for an advisor who communicates, listens attentively, and takes the time to understand their unique needs and objectives. By prioritizing accessibility and effective

communication, entrepreneurs can ensure that they have a trusted partner by their side, ready to provide guidance and support as they navigate the challenges and opportunities of entrepreneurship.

How to Research and Vet Potential Advisors

Research and vetting processes are essential when searching for a reputable financial advisor for entrepreneurs. So kickstart your quest by jumping into online resources and tapping into referrals from your trusted entrepreneurial network. These channels often unveil advisors with proven track records in steering entrepreneurs toward financial success.

Especially in this digital age, a quick online search can offer invaluable insights. Take advantage of website information to gain an understanding of the quality of service an advisory delivers. Additionally, don't hesitate to request references from previous or current clients. This helps gain firsthand perspectives on the advisor's effectiveness in addressing the unique financial complexities entrepreneurs face.

What Questions Should I Ask A Prospective Financial Advisor?

When you're ready to interview, it's essential to be prepared with thoughtful questions. Start by asking how they tailor their services to meet the unique needs of new business owners. You'll want to make sure their services align with your own business goals and risk tolerance. This will give you confidence in their ability to provide personalized guidance and help you build a strong advisor-client relationship.

In addition to customization, it's crucial to assess the advisor's risk management strategies and approach to staying up-to-date on evolving tax laws and regulations. By asking the right questions, you can gain insight into their ability to identify and mitigate potential risks, paving the path for long-term stability and resilience in your business finances. With this knowledge, you can make informed decisions and trust that your advisor is equipped to navigate complex financial situations.

Qualifications and Experience

- What are the advisor's credentials, certifications, and educational background?
- How many years of experience do they have in advising businesses similar to mine?
- Can they provide references or case studies of their past work with other businesses?

Specialization and Expertise

- Do they specialize in working with businesses in my industry or at my stage of growth?
- And what specific financial services do they offer (e.g., tax planning, investment management, cash flow analysis)?
- How do they stay current with industry trends and regulatory changes?

Approach and Philosophy

- What is their approach to financial planning and advisory services?
- How do they tailor their services to meet the unique needs of my business?
- What is their investment philosophy, and how do they manage risk?

Communication and Availability

- How often will we meet to review my financial strategy and progress?
- What is their preferred method of communication (e.g., in-person meetings, phone calls, video conferencing, emails)?
- Are they available for consultations outside of regular meetings if urgent financial issues arise?

Fee Structure and Transparency

- What is their fee structure (e.g., hourly rates, flat fees, percentage of assets under management)?
- Are there any additional costs or hidden fees I should be aware of?
- How do they ensure transparency in their billing and fee disclosures?

Compatibility and Trust

- Do I feel comfortable discussing my financial situation and goals with them?
- Do they listen to and understand my business needs and objectives?
- How do they build trust and ensure confidentiality in our professional relationship?

Technology and Tools

- What financial tools and software do they use to analyze and manage my business's finances?
- How do they ensure the security and confidentiality of my financial data?
- Can I access my financial information and reports online or through a client portal?

Compliance and Ethics

- Are they registered with relevant regulatory bodies and compliant with industry standards?
- What is their policy on conflicts of interest, and how do they ensure impartial advice?
- Do they have a code of ethics or professional conduct that guides their practice?

Results and Accountability

- How do they measure and report on the success of their financial strategies?
- What benchmarks or key performance indicators (KPIs) do they use to track progress?
- How do they adjust their strategies if my business' financial goals or circumstances change?

Value Addition

- How do they add value beyond basic financial advice?
- What proactive strategies do they employ to optimize my business' financial health?
- How have they helped other businesses achieve significant financial milestones or overcome financial challenges?

Conclusion

An experienced financial advisor for entrepreneurs provides tailored guidance and insights to address the unique needs and goals of each business, while remaining firmly focused on an intelligent short- or long-term business exit strategy. With a great advisor, entrepreneurs gain access to a wealth of knowledge and can leverage their advisor's resources. Your advisor should build that circle of support around you. They should seek to help you make informed decisions, mitigate risks, seize opportunities for sustainable growth, and optimize net outcomes. At the end of the day, the key is to select a financial advisor who is as dedicated to your success as you are— it can make all the difference.

Ready to talk to one of our experienced Financial Advisors? Book a consultation now at www.Verdence.com.

Disclaimer: © 2024 Authored by Megan Horneman, Chief Investment Officer, Verdence Capital Advisors, LLC

Reproduction without permission is not permitted. The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index. This material was prepared by Verdence Capital Advisors, LLC ("VCA" or "we", "our", "us"). VCA believes the information and data in this document were obtained from sources considered reliable and correct and cannot guarantee either their accuracy or completeness. VCA has not independently verified third-party sourced information and data. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. These projections, market outlooks or estimates are subject to change without notice. This material is being provided for informational purposes only and is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice. Past performance is not a guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product or any non-investment related content, made reference to directly or indirectly in these materials will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from VCA. Alternative investments are designed only for sophisticated investors who are able to bear the risk of the loss of their entire investment. Investing in alternative investments should be viewed as illiquid and generally not readily marketable or transferable. Investors should be prepared to bear the financial risks of investing in an alternative investment for an indefinite period of time. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. All indexes are unmanaged, and you cannot invest directly in an index. Index returns do not include fees or expenses. Sector Watch Use of this website is intended for U.S. residents only. Any recommendation, opinion or advice regarding securities or markets contained in such material does not reflect the views of Verdence Capital, and Verdence Capital does not verify any information included in such material. Verdence Capital assumes no responsibility for any fact, recommendation, opinion, or advice contained in any such research material and expressly disclaims any responsibility for any decisions or for the suitability of any security or transaction based on it. Any decisions you may make to buy, sell, or hold a security based on this research will be entirely your own and not in any way deemed to be endorsed or influenced by or attributed to Verdence Capital. It is understood that, without exception, any order based on such research that is placed for execution is and will be treated as an UNRECOMMENDED AND UNSOLICITED ORDER. Further, Verdence Capital assumes no responsibility for the accuracy, completeness, or timeliness of

any such research or for updating such research, which is subject to change without notice at any time. Verdenca Capital does not provide tax, or legal advice. Under no circumstance is the information contained within this research to be used or considered as an offer to sell or a solicitation of an offer to buy any particular investment/security. Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk. Commodity-related products, including futures, carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions, regardless of the length of time shares are held. Data is provided for information purposes only and is not intended for trading purposes. Verdenca Capital shall not be liable for any errors or delay in the content, or for any action taken in reliance on any content. Weekly Insights/Qtrly & Annual Outlook The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index. Semi-Annual Chart Pack Where shown, performance information presented is that which has been calculated and presented by an unaffiliated third-party manager. We have no insight into the performance of the advisor/product/account or fund shown and do not attempt to determine whether the performance presented is accurate. Therefore, the performance could be incorrect, overstated or not reflective of actual trading of client funds. There is the potential that the performance shown is a back test and not the result of real investment advice and trading. As such, it could not be relied upon as indicative of future returns of a particular strategy. Where performance shown is that of a pooled account, limited partnership, or private equity fund, you should be aware that there is a significant lack of transparency into the operations and investment process and investment vehicles invested in. As a result, pricing and valuation of the underlying holdings which produced the stated performance could be incorrect, stale, or overstated and therefore the performance figures presented cannot be relied upon. Before investing, we encourage you to request additional information, particularly performance information, of any product that you are considering for your client. You should read, as applicable, the Prospectus, SAI, Composite Disclosure and/or performance disclosure associated with any product that you are considering for investment for your or your client's. Products shown may have minimum account sizes or minimum investments which may preclude retail and non-high net worth investors from being able to invest in these products. You should be aware that certain LPs may be closed to new investors and therefore your clients may be prevented from investing in these products. Portfolio Implementation and Rationales The SMA Asset Allocation Models do not represent a personalized recommendation of a particular investment strategy to you or your clients. You should not buy or sell an investment without first considering whether it is appropriate for your client's portfolio. Additionally, you should review and consider any recent market news. All expressions of opinion are subject to change without notice in reaction to shifting market conditions. Data contained herein from third-party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed. Supporting documentation for any claims or statistical information is available upon request. Examples provided are for illustrative purposes only and not intended to be reflective of results you can expect to achieve. Diversification and asset allocation do not ensure a profit and do not protect against losses in declining markets. Any forecasts contained herein are for illustrative purposes only, may be based upon proprietary research and are developed through analysis of historical public data. Investments in growth stocks may experience price volatility due to their sensitivity to market fluctuations and dependence on future earnings expectations. Sector allocation references to market capitalization ("smid cap" or "micro caps" etc.) may be subject to special risks given their characteristic narrow markets, limited financial resources, and less liquid stocks, all of which may cause price volatility. International/global investing can involve special risks, such as political changes and currency fluctuations. These risks are heightened in emerging markets. A significant percentage of the underlying investments in aggressive asset allocation portfolio investments have a higher-than-average risk exposure. You should consider your risk tolerance of each of your clients carefully before choosing such a strategy. An investment with multiple underlying investments (which may include asset-allocation or custom blended investments) may be subject to the expenses of those underlying investments in addition to those of the investment itself. Investments may reside in the specialty category due to 1) allowable investment flexibility that precludes classification in standard asset categories and/or 2) investment concentration in a limited group of securities or industry sectors. Investments in this category may be more volatile than less flexible and/or less concentrated investments and may be appropriate as only a minor component in an investor's overall portfolio. Investment Managers You and your clients should carefully consider investment objectives, risks, charges, and expenses of Funds discussed. This and other important information are contained in the respective Fund prospectuses and summary prospectuses, which should be read carefully before investing. Investment portfolio statistics change over time. Current performance may be lower or higher than return data quoted herein. The investment return and the principal value of an investment will fluctuate; so, an investor's shares/units, when redeemed, may be worth more or less than their original cost. Verdenca relies heavily on unaudited third-party data. Data sources include public data, such as mutual fund data, and non-public data, such as information provided by other investment advisors and managers of limited partnership pooled accounts. Data and/or statistics included on this Portal, including references to performance, opinions, ratings, rankings, manager statistics and demographic information, product, or strategy descriptions, either quantitative or qualitative, are based upon information reasonably available to us as of the applicable date(s) then-published. Information has been obtained from sources that we believe to be reliable, but these sources cannot be guaranteed as to their accuracy or completeness. All data and information produced by a third party has the potential to be incorrect, incomplete, or otherwise misleading. No implication shall be created that the information contained on the Site is correct, including as of any time subsequent to the publish date, and Verdenca does not undertake an obligation to update such information at any time after such date. Verdenca makes no warranty or representation of the veracity of the data and information and its use of the information should not be implied as an endorsement of any material or statements made. Data, particularly non-public data, is

subject to error and where the information is not audited, the potential for error is greater. Where shown, performance information presented is that which has been calculated and presented by an unaffiliated third-party manager. We have no insight into the performance of the advisor/product/account or fund shown and do not attempt to determine whether the performance presented is accurate. Therefore, the performance could be incorrect, overstated or not reflective of actual trading of client funds. There is the potential that the performance shown is a back test and not the result of real investment advice and trading. As such, it could not be relied upon as indicative of future returns of a particular strategy. Where performance shown is that of a pooled account, limited partnership, or private equity fund, you should be aware that there is a significant lack of transparency into the operations and investment process and investment vehicles invested in. As a result, pricing and valuation of the underlying holdings which produced the stated performance could be incorrect, stale, or overstated and therefore the performance figures presented cannot be relied upon. Before investing, we encourage you to request additional information, particularly performance information, of any product that you are considering for your client. You should read, as applicable, the Prospectus, SAI, Composite Disclosure and/or performance disclosure associated with any product that you are considering for investment for your or your client's. Certain products shown may have account minimums or minimum investment sizes that are unattainable for your clients and therefore they may not be eligible to invest in these products. Reference to registration with the Securities and Exchange Commission ("SEC") does not imply that the SEC has endorsed or approved the qualifications of Verdence or its respective representatives to provide any advisory services described on the Site.