



## Regions Wealth Podcast

### Episode #50

Financial Planning Considerations for Women Business Owners

American Express estimates that women create 1,800+ new businesses each day in the United States. While the number of women-owned businesses is on the rise, female entrepreneurs continue to face limited access to capital compared to their male counterparts. According to Pitchbook data, in 2021, female founders received just 2% of all venture capital dollars. In this episode, Wealth Advisor Linda Thompson joins us to share resources and key financial planning considerations for female entrepreneurs. We'll discuss tactical tips to help female entrepreneurs thrive and survive throughout all stages of their entrepreneurial journey.

**SME:** Linda Thompson, Wealth Advisor

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Sarah Fister Gale, Host:

Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host, Sarah Fister Gale.

American Express estimates that women create over 1,800 new businesses each day in the United States. And while the number of successful women-owned businesses is on the rise, female entrepreneurs continue to face limited access to funding. According to Pitchbook, while venture capital funding surged in 2021, companies with female founders garnered just 2.4% of total dollars invested.

So, what steps can female business owners take to protect themselves financially and thrive throughout all stages of their entrepreneurial journey? Joining me remotely is Linda Thompson. She's a wealth advisor at Regions Bank. Linda, thanks for joining us today.

Linda Thompson, Wealth Advisor:

Thank you.

Sarah:



So, Linda, in this episode, we're discussing financial considerations for women-owned business owners. We've taken some frequently asked questions and developed a character who needs your help. Let's listen.

**TIANA:**

*"Hi, my name is Tiana, and I'm a first-time entrepreneur. After spending two amazing decades as a consultant at one of the world's most prestigious firms, I've made the decision to branch out on my own. My dream has always been to launch a boutique consulting firm, so needless to say, I'm thrilled that I'm finally able to make that dream a reality.*

*Given my experience, I'm confident in my ability to lead the business and its operations. However, I'd like to make sure I'm well-prepared for the challenges that may arise as I launch and grow my business. Not only am I leaving a lucrative career behind, but I'm also sinking a sizable portion of my nest egg into the business to get things up and running. While I'd love to seek outside funding, the process of doing so seems far too stressful and challenging. In short, I'm putting a lot on the line."*

**Sarah:**

So Linda, what are some of the key financial challenges faced by female entrepreneurs during the early stages of their business?

**Linda:**

Some of the key financial challenges is access to funding. In Tiana's instance, she's set aside quite a bit of funding that she's amassed from her career. but I wouldn't discount getting funding upfront. It's easier to get funds when you have funds, versus she's used all of her funds in the beginning and now she needs access to capital. So, I would definitely look at exploring funding opportunities on the onset. But before you start that process, I would say find a CPA and an attorney and make sure that you're structured correctly.

**Sarah:**

Tiana also mentions that while she'd like to seek outside funding, the process of doing so seems to be too challenging and stressful. So what does that process typically look like?

**Linda:**

Well, it could be stressful, but there are lots of resources, for instance, the local SBA district office. It's just a matter of setting up a meeting with them and saying, "I'm starting this new business." They actually have an Office of Women's Business Ownership they focus on just specifically women-owned businesses through their Women's Business Centers. They help with funding. They help with putting together business plans. They help with the education process. So, just by merely sitting down and having a meeting with them, it won't be so



overwhelming because it can kind of build a roadmap so that you know how to successfully start your practice and you've got the resources. They guide you through workshops, educational programs, business plan building. That kind of gives you just kind of that roadmap.

Sarah:

I love that. When should aspiring entrepreneurs reach out to the SBA?

Linda:

Before they even start putting the first plan in place, I would sit down and talk to them because they've got a wealth of resources. They can help you with the business plan, they can talk you through structure. They can say, "these are the things that financial institutions are going to look for. These are the resources that we can provide." And so, I think they're one of the first people I would talk to, along with a CPA and an attorney.

Sarah:

So, what are some common funding sources for early stage businesses like Tiana's?

Linda:

A simple online search can bring up a number of resources, foundations, grants. Searching through the SBA's website, they will give you an array of programs through the Women's Business Centers or other SBA programs. The SBA has a great website: SBA.gov. It will tell you the resources available for women-owned businesses and startups. You've got access to all of these resources through your local SBA district office. You can just go in, set up an appointment, and you'll have access to all these resources.

Sarah:

Can entrepreneurs work with the SBA to identify funding opportunities?

Linda:

Yes. The SBA has a lender match program, so they will link you with financial institutions that offer business loans through the SBA, for startup businesses. In particular, the Women's Business Centers — they will help you find grants for certain women and minority business programs and so they're a key resource for finding that information.

Sarah:

What do you see as the pros and cons of seeking funding versus self-funding a new company?

Linda:



So, first year, 20% of businesses fail. Year five, almost 50% of businesses fail. So if you've already used the nest egg that you've built up, then it's going to be difficult to go out and secure funding. If you've got those resources, you can build that on your balance sheet to make your company stronger without using your capital. It would be better to use your resources as a backup.

Sarah:

That's a helpful insight. So let's pause here and listen to the next portion of Tiana's story.

**Tiana:**

*"I know there's a real risk that things may not pan out the way I hope and that I may lose my investment. I'm also aware that once I begin to build my team, I'll need to prioritize making payroll over my own needs, which may result in periods of income volatility. Based on my most conservative calculations, I'll have enough left in savings after my initial investment to cover my personal expenses for at least three years."*

Sarah:

So Linda, Tiana has some concerns about her personal financial stability. What are some of the risks she should be aware of?

Linda:

So, I think it's great to have a plan and that's something that your CPA and your financial advisor can help you with. It's great to look at, "okay, let's do a projection where if I use my resources versus funding, how that looks." So again, have a plan and meet with advisors, a CPA, attorney, financial advisor, that can help you model that out.

Sarah:

And for sole proprietors, there's often a blurry line between their personal finances and their business balance sheet. What are the risks Tiana should be aware of?

Linda:

So, she should always have both separated, but that's where your CPA is going to come in handy to help guide you through that process. That's where a financial advisor can help you. It's having that plan in place, having a CPA, having a financial advisor. I would say the most important thing is to surround yourself with a team. For instance, you're going to have a bank, and you wanna sit down with a relationship manager because they can actually point you in the right direction of "okay, meet with a financial advisor, meet with a team that can do planning for you." They can model all this out, which is going to give you that roadmap so that you can actually visualize, "Okay, I've got these funds; that's my nest egg. But what if I borrow funds? What if I get a grant? How is all this going to look?" A good team of bankers can really help you model this out so that you'll have a clear picture of what this is going to look like.



Sarah:

Are there any other steps she can take to protect her personal finances?

Linda:

The structure again is important, sole proprietorship versus LLC, for liability reasons, you wanna make sure that you're set up to protect your personal assets.

Sarah:

Are there also tax implications of LLC versus sole proprietor that she should be aware of?

Linda:

Yes. And that's where your CPA is going to come in. He can run those scenarios for you.

Sarah:

It sounds like the biggest takeaway for Tiana is that having a solid team will be key.

Linda:

Yes. And I think it's important because eventually, when you retire, you're going to transfer that business wealth to personal wealth. And so, having a team that can help you is very important. At Regions, we have a team that works not only with the banking and the business banking staff, but also with the financial advisors and our wealth management team. So, we work with business owners and they have their business accounts separate, and then we work with the wealth advisors that manage the wealth side. But we actually work together as a team so that our business owners can see, "okay, this is what my balance sheet on the business looks like and this is what my balance sheet on the personal side looks like." And so, having a team that can help you minimize taxes and do it efficiently is very important, and I think that's one of the things that Regions Bank is really good about offering our clients.

Sarah:

Excellent. So let's listen to the final portion of Tiana's story.

Tiana:

*"Also, retirement planning is another topic that's been front-of-mind for me. My goal is to retire by 62 — I'm 43 now, so while I still have a fairly decent runway, I'm aware that investing in this particular dream is going to throw my plan a bit off-course. My current employer has a very robust 401(k) match, so the loss of that alone will have an impact. What steps should I be taking to ensure I'm preparing myself for retirement? I'm a strategist at heart, so I'd love to get your thoughts on creating a plan to protect myself and my finances, both during the first few years of business as well as long-term."*



Sarah:

So Linda, as a wealth advisor, how might you work with someone in Tiana's position to address these concerns?

Linda:

So, Tiana has a retirement account already. So I would build upon that. There's tax deductible retirement programs for self-employed business owners. So a CPA can guide her into, "okay, should I set up a SEP-IRA in the beginning? Should I set up a 401K for myself?" Business owners can contribute up to a certain portion of funds each year and it's tax deductible. So that's a way to continue to keep that plan growing. Our team can model out contributions to a retirement plan, and that's something that is a great tool for business owners, because it gets them to really look at how to eventually transfer their business wealth to personal wealth in the most tax efficient way. And we've got a team that actually works with business owners on business succession planning. So I think that's key, to be thinking about that on the onset and not just when you're about to retire.

Sarah:

That is a great point. You mentioned that she can have a 401K and IRA. Should these be part of her business plan?

Linda:

In the initial plan, you should build in retirement, and that's something that your CPA and your financial advisor can help you with. Her CPA can actually tell her what her maximum contributions each year can be. And that's something that should be built into that business plan on day one.

Sarah:

So you're saying that Tiana should be thinking about her retirement plan as she's preparing to launch this business and grow it?

Linda:

Absolutely. Because she's coming over with a 401K that's already been established. She's already put in place retirement funds, and so she wants to make sure that she continues to have that grow and it's managed. And then she wants to continue to contribute to that plan and she can do that through her business. Business owners are very focused on starting the business, building it, and then later on, when it's time to retire, they haven't really focused on what's next. So, I think a business succession plan on the onset is key. Because you're building something that you're going to grow, and then that's going to eventually get passed onto the next generation or sold, and then you have that liquidity event that's going to really help you through retirement. And so, I think meeting with a financial advisor, wealth advisor, to kind of help you formulate that plan on the onset, is key.



Sarah:

This has been a great conversation. So, Linda, at the end of these episodes, we like to ask our guests for some takeaways. What key takeaways would you offer female entrepreneurs who are getting ready to build and grow a business?

Linda:

Key takeaways for female entrepreneurs: number one, surrounding yourself with a team of professionals. That is a good CPA, attorney, and banker. Number two, I'd say reach out to the SBA, explore the resources that they provide. They have an Office of Women's Business Ownership and they run a Women's Business Center that provides women entrepreneurs with training, counseling, access to credit and capital, and even federal contracts. And number three, continuing to revisit your plan, have mentors in the industry that can help you navigate the landmines, and save you from making some of the mistakes they might have. But also, just having that group of advisors is key. And have a good banking relationship. I think those are great resources that can set you up for success.

Sarah:

Linda, thank you so much for your time today. This has been a really interesting conversation.

Linda:

Thank you.

Sarah:

And thank *you* for listening today. Be sure to visit [Regions.com/wealthpodcast](https://www.regions.com/wealthpodcast) to explore past episodes, and don't forget to subscribe to Regions Wealth Podcast on your favorite podcast platform.

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