



“Protecting Personal Assets in a Turnaround”

André Larabie

Business failure is an extremely difficult situation for any business owner. This is because the small business owner is usually “closer” to his or her employees than the leader of a larger business, such as a corporation.

In a smaller companies, it is not uncommon to find numerous members of an extended family working in various parts of the organization. Long-term friends are often part of this type of business landscape-friendships exist that often formed prior to the existence of the business, or ones that were forged by years working together closely in the common effort of the small business.

This “closeness” is one of the features of owning or working in a smaller company, and it makes a business failure much more difficult for those who work in that smaller company.

In larger companies, there is more movement within the organization and employees transfer geographically, or if the location is large enough, they move to another department where they are no longer in contact with recent coworkers. The corporate environment is simply less personal and it is more difficult to forge lasting relationships.

This “close” environment in a small business makes it all the more difficult when it comes time for the business owner to make the hard decisions required by a business turnaround or a restructuring. When salaries-or entire jobs-must be cut, it is obviously more difficult to terminate a family member or friend, or to inform them that they will have to make financial sacrifices to retain their job.



And there are more family issues associated with a failing business than terminating a cousin or aunt or uncle. As a business owner, you have likely made personal guarantees to various financial institutions that have extended credit to your business operation.

If the business ends up failing, that failure can come back to roost in your personal life; those creditors can call up those guarantees. As the business owner, not only may you be out of a job, but you may also be out of a home-or worse. You could lose everything, including any money you have saved for retirement.

These are extreme scenarios, and there are laws in effect to protect these basic types of assets, but sometimes the events surrounding a failure can reach past the law to grab those assets and steal them away from you.

For example, although the bankruptcy court cannot take your primary residence, they can take many other things, including money you have saved for our children's college education. And possibly after that money is gone, you may decide to just sell your house instead of denying your daughter or son an education.

So you did lose your house then, right? You can always live in an apartment, right? I think you see what I mean.

So there is much more at stake-with respect to assets-for you as the owner of the business and you need to protect those assets before you protect your employees. If you feel bad about protecting yourself first, don't.

To put this in perspective, suppose you are forced to terminate a close friend. That friend can go find another job. She will lose the income associated with being employed by your business, but if she can find work with a comparable salary in a month or so, then she will only be out those several months of salary. Maybe a few thousand dollars is all.



Now compare that to what you stand to lose if the entire business fails, meaning you lose your job. In addition to the job loss, if you have signed your name to personally guarantee the debts of the business, then you may lose all of your savings and other assets. You may not be able to retire when you planned to, and your children may not go to college.

This is quite a glaring contrast to the employee who stands only to lose his or her job and possibly be forced to find work in another position, in a company that may turn out to be not as much fun as working for you in your business, or possibly in a job that does not pay them quite as well as what you were paying them.

Big difference.

Although some assets are protected from bankruptcy judgments, you may ultimately lose property due to criminal actions against you...

To learn more about business turnaround, order Andre's book directly from Amazon.com, or get details here:

www.AndreLarabie.com

Andre Larabie is a published writer and successful business coach. Get a free excerpt from his book on commercial debt reduction at:

www.AndreLarabie.com

About The Author

André Larabie, PhD, is distinguished for his expertise in Teaching, Coaching, Business Turnaround and Consulting, Commercial Debt Resolution, Consumer Debt Collection, Mediation and Arbitration. He has owned and operated 2 collection agencies, a Factoring Organization, and a Business/Management Consulting Practice in both the USA and Canada.



ANDRELARABIE.COM

ARTICLES

Dr. Larabie has authored many college-level publications in Canada, including the following Doctorate Dissertations: “Starting a Factoring/Financing Company,” “The Opening of a Business College,” and “The Psychological Ramifications of Online Education.”