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Small Businesses' Big Needs for Finances and Investment

With interest rates still at historic lows, this is still a good time to invest in your business.

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By: Scott Mahoney



It may be a few years since you launched your small business, based on an idea, a dream, and astute observations that evolved into a plan that may now be labelled a success.

But how will you continue to finance business operations, not to mention your personal bills, savings, taxes, vacations and, looking down the road, your retirement?

There are myriad reasons why a small business owner may want to obtain funding, although it usually comes down to expanding the business, re-financing old debts at lower interest rates or establishing a line of credit. With interest rates still hovering near historic lows, it may be a good time to consider options for business expansion by purchasing another company, expanding the workforce or increasing a product line.

Likewise, establishing a line of credit can position the savvy entrepreneur for unforeseen opportunities or obligations that may arise.

In addition to concerns about financing a small business, there is the equally important issue of where to invest. If a small business has sufficient financial reserves to consider investments, it is natural to ask which investments are the best fit and why. As with an individual, the question of where a business should invest has a great deal to do with overall goals and ability to tolerate risk.

There are roughly 28 million small businesses in the US, and the factors that make a company attractive in one situation may not be the same for others. As with any investing, research can help put a small business on the road to aligning the types of returns with the individual needs of that business.

Some experts recommend that a business owner should consider people first. Of course, investing in human capital means a lot more than just finding and hiring the best people. It also means treating your existing employees the way you would want to be treated. That may include working with qualified financial advisors to help you implement a solid retirement program for employees – a program that does not have to be overly costly for the business.

Other areas might include investment in new machinery and equipment, perhaps to reduce operating costs or to expand a product line. A variety of opportunities exist for financing such business enhancements – another reason it may be helpful to enlist the services of a financial and/or business advisor.

For business owners considering investment, regardless of the priorities, it should be an exercise in caution, and due diligence, with considerations given to background issues that could impact the future of any investment.

About the Author: Scott F. Mahoney is a private wealth advisor with the Global Wealth Management Division of Morgan Stanley in Morristown. He can be reached at 973-425-8547.