Chapter 5   What's in it for You?

Creating your own business is one of the most effective ways, if not **the** most effective way, of creating the environment you need for the life you would love to live.

Having a business based around your passion can be a simple way of fulfilling that passion, of doing what you love to do and being who you love to be.

You would no longer need to perhaps be doing something that you don't really want to be doing in order to generate the resources to create your desired lifestyle.

Instead your business would generate those resources and become an integral part of that lifestyle.

Having said that, it's true that having your own business isn't always the answer to creating the life you want. It isn't a universal panacea for *everyone*.

Home Economics

Some people get confused when they're building a business that fulfils their passion because they forget that their business is not *them*.

In most countries the tax authorities see business and personal finances entirely separately.

If you have a business, you mustn't get the business accounts or finances mixed up with your 'personal' financial affairs.

You will be taxed on your personal income and your business will be taxed on *its* income, or 'profit'.

In some countries, there are penalties for not keeping these accounts separate which can be quite severe.

It's important to keep this distinction in mind and you will at some point need the advice of a qualified accountant, ideally sooner rather than later.

Why is this important now?

Most Western countries, and the UK in particular, have a problem - and that is what happens as the population continues to age and 'stop working'.

In the first part of the 20th Century countries came up with the idea of a 'state pension' that would be paid to people when they 'retired' from employment at a set age.

At the time, life expectancy was relatively short, compared with today, and so this state payment would only need to last a few years.

As we all know, that's no longer the case, people live much longer and more active lives.

The trouble is that in the future, governments may be completely unable to fund this pension paradigm.

The 'retirement age' has been raised - and that means the age before state payments start to be paid - nothing to do with the age at which people stop 'working', and considerations are being given to reducing pension levels.

More onus has been put on employers to introduce 'work based' pensions to supplement or replace state payments and in the UK this is now mandatory.

The fact of the matter is that the Plan A which I described in Chapter 4 is going to result in a much greater 'income crash' than previously thought.

The bad news is that instead of being expected to live on around a third of their previous income, people are going to find that, unless they do something about it, it's going to be only a quarter or a fifth.

Whatever other reasons you may have to start your own business that generates an ongoing stream of income, **this** is key.

The fact is that if you don't have your own business then you **will** be in financial difficulty as you grow old - whenever that might be.

> You **can** generate sufficient income from your business to meet *all* your needs - and more, now and in the future.
>
> It all depends on how much time and effort you put into building it, and how soon you decide to do it,

What are the risks?

There are a lot of risks in Plan A especially as regards the idea of retirement on a 'pension'. Probably a lower risk if you are employed rather than self-employed.

If you are employed the risk is shared, whereas in self-employment it's all down to you. But even the biggest businesses employing thousands of people have been known to fail, sometimes through no fault of their own.

There is also a risk in having your own business, but it's hard to say whether or not it's greater or less than being employed or self-employed and it does of course depend quite significantly on what **type** of business you decide to create and how much effort you put into it.