

TRANSITION With Confidence

Before you make the transition from employee to solopreneur, it's important to make sure you have all your financial ducks in a row. This worksheet will take you through the seven steps for assessing whether you are financially prepared to make this transition.

Take time to carefully complete each step in order to better understand your Cash Flow, Savings, Retirement, Risk Management, Taxes, Legal, and Support System, so you can make an informed and empowered decision to move forward with confidence. And if you would like me to talk you through this, the guide can be used in tandem with my Solopreneur Money podcast, Episode 11, "[Transition From Employee to Solopreneur With Confidence.](#)"

CASH FLOW

Understanding your current cash flow is the first step in determining if this is going to work at this time or not.

■ Revenues

- Revenue for the Last 12 Months
- Projected Revenue for the Next 12 Months

■ Expenses

- Business Expenses for the Last 12 Months
- Personal Expenses for the Last 12 Months
- Projected Business Expenses for the Next 12 Months
- Projected Personal Expenses for the Next 12 Months
- You will want to add in the Expense Items from the other items below:
 - Health Insurance \$
 - Life Insurance \$
 - Disability Insurance \$
 - Taxes \$

■ Net Cash Flow (complete the worksheet and come back to this)

- Revenues

-

Expenses

=

Net Cash Flow



SAVINGS

This is your second test in determining if the timing is right.

- Recommend 6 to 12 months of expenses – depending upon your situation.
 - Are you on your own? Working spouse or partner, etc?
- Current Emergency Savings Balance \$
- Do you have access to cash?
 - Line of Credit?
 - Home Equity Loan?
 - Credit Cards?
 - Family Loan?

RETIREMENT

This will be used to start up your solopreneur retirement plan.

- Your current retirement assets and where are they located:
 - IRA Balance \$
 - Roth IRA Balance \$
 - 401(k) or 403(b) Balance \$
 - Other (Pensions, etc) \$
- Choose One Below:
 - Option 1 – Leave it in the old plan.
 - Option 2 – Roll it over to an IRA.
 - Option 3 – Roll it over to your new business retirement plan.

RISK MANAGEMENT

Any threats that could derail your plans need to be managed.

- **Health Insurance** - Need to buy or not?
 - If yes – what is the cost – add to the Estimated Expenses above \$
 - If no – thank your spouse or partner
- **Life Insurance**
 - Total Death Benefit you have in place?
 - Is it enough? (5 to 10 times your income)
 - If not, consider more. How much will it cost?
 - Add it to your expenses above.
- **Disability Income Insurance**
 - Coverage in place? Y or N
 - Want to add? Y or N
 - If so – consider adding prior to the transition.
 - Cost?
 - Add it to your expenses above.



TAXES

- Seek the advice of a CPA/Accountant to get set in the right direction from the get-go.
- Set up a separate tax account.
- Talk to a CPA/Accountant about what you can expect your estimated taxes to be.
(Resist the urge to try to figure this out on your own.)
 - Enter the estimated tax info received from your tax professional in the expenses above.

LEGAL

- How do you want your business to be set up?
 - Sole proprietorship
 - Limited Liability Company
 - S-Corporation
- Seek the advice of an attorney to design the best option for you.
- Make sure to inquire about the setup costs for each. This will be part of your start-up costs. It should be in the range of \$1000 to \$1500 for the LLC and S-Corp Options.

SUPPORT SYSTEM

- Be ready for the “nay-sayers.”
- Find your people. Who do you know is already doing this?
- Reach out, build a relationship.
- Build your support system. It can get lonely being a solopreneur.

Now that you've gone through the steps, revisit your net cash flow. What are your numbers? If you have a shortfall, decide if you are going to wait a bit longer or if you have adequate savings/access to capital to bridge the gap. You will know in your gut if you are ready or not. If so, be a badass, put your plan together, put in your notice, and get busy creating the life you want. Shoot me an email or hit me up on social to let me know how it is going and when your last day will be.

