

DON BARTLETTI *Los Angeles Times*

**FAMILY BUSINESS:** Steve and Nona Everhart, founders of franchiser Senior's Choice, in their Capistrano Beach office. They have seen a jump in the number of couples starting companies together.

## PERSONAL FINANCE

# Limit the Risk if You Tie the Business Knot

The number of mom-and-pop companies is on the rise, experts say, but the road to success can be blocked by obstacles.

By KATHY M. KRISTOF  
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It could be a matter of corporate downsizing, or baby boomer burnout, or a sense that middle-aged parents don't get enough family time in the corporate world. Whatever the reason, mom-and-pop businesses are back in big numbers, experts say, and that presents financial challenges for entrepreneurial couples.

Up-to-date statistics on married-couple-owned businesses are hard to come by, but both the International Franchise Assn. and the National Federation of Independent Business agree that they're seeing a resurgence.

"Over the last five years, we have seen our married couples in business together go from about 20% to just slightly under 50% of our members," said Steve Everhart, who with his wife, Nona, operates Capistrano Beach-based Senior's Choice, a franchising operation that trains its "members" to operate home health-care businesses.

Sharon DiMinico, chief executive of Learning Express, a Devens, Mass., retailer specializing in educational toys, says nearly 90% of those buying franchises from her company are couples who've left the corporate world to go into business together.

Chunking the day jobs for a husband-and-wife-run business may seem like an entrepreneurial dream for many, but such a bold move is fraught with peril, experts say.

For starters, there's no regular paycheck and no corporate sponsor buying the health insurance, life insurance and disability coverage. What's more, you can't go home and complain about the boss — but you can't leave the job at work, either. If couples squabble, the business can suffer. If they divorce, it is likely to fail.

"The first issue is that you have all your eggs in one basket," said Sheryl L. Rowling, a financial planner with Rowling, Dold & Associates in San Diego and the author of a book on the tax and financial planning concerns of family businesses. "If it turns out to be a great basket, you are

going to be happy about it. If it's not a good basket, you've bet your entire family's financial security on it."

Here are some ways couples can cut the risks when going into business together:

■ **Keep one day job.** Carl Daffron has been running a successful software business with his wife in Bowling Green, Mo., for the last 20 years. But it didn't start out that way. He went into business with his dad in 1978. His wife didn't start working with him until five years later. That was important, he said, because there were times in the early years that they had insufficient money to make payroll, so Daffron went without a check. If it hadn't been for his wife's job, they couldn't have survived.

"If two individuals are quitting their day jobs to go into this, we try to discourage them," said Everhart of Senior's Choice, whose membership business has 200 offices around the country.

■ **Run the numbers.** Prospective business owners need to figure their monthly living expenses and prospective business expenses and estimate the amount of time before the company will be able to generate sufficient revenue to cover those costs, said Brent Kessel, a financial planner with Abacus Wealth Management in Santa Monica. Before the business is launched, the necessary funds should be saved or secured through outside financing, he said.

Kessel prefers that the couple try to secure outside financing. Why? It makes them look at their business plan and financial projections more objectively. "If you can't attract other people's money to your business idea, it's probably not that good of a business idea," Kessel said. "Having other people's money involved makes you take a serious look at your business plan, who your competitors are and what the prospects are."

■ **Insure yourselves.** Life, health and disability insurance may seem like a big expenditure for a fledgling business. But when the family's economic future rests in just one basket, it pays to protect that basket.

■ **Be professional.** Experts have a long checklist of musts for family-operated enterprises: a formal partnership agreement, a separate business bank account what and who would ultimately be in charge if there were a difference of opinion. If the couple are unable to agree on structure before the business is launched, they're unlikely to agree later.

The rules of conduct reduce the chance that business squabbles would translate into marital squabbles.

And the separate bank account helps with both tax records and business planning. Without a separate account, it's difficult to determine whether the business — or the owners — are spending too much if the business runs into trouble, financial planner Rowling said.

Kathy M. Kristof, author of "Investing 101" and "Taming the Tuition Tiger," welcomes your comments and suggestions but regrets that she cannot respond individually to letters or phone calls. Write to Personal Finance, Business Section, Los Angeles Times, 202 W. 1st St., Los Angeles, CA 90012, or e-mail [kathy.kristof@latimes.com](mailto:kathy.kristof@latimes.com). For previous columns, visit [latimes.com/kristof](http://latimes.com/kristof).