

Business

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Marcio Jose Sanchez, STF

Michael Maher, co-owner of Taylor Stitch in San Francisco, used his savings to start the company.

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Kari Warberg Block calls it her day of reckoning. It was the day 10 years ago that she realized she had saved nothing for her retirement.

"I started thinking about all the money that had run through my hands over the years, millions of dollars," says Block, owner of Earth-Kind, a manufacturer of rat and mice repellent. "I was sick to my stomach."

For many small-business owners, the golden years aren't looking so shiny. Many have devoted so much time and money to their businesses that they have failed to plan for retirement. Catch-up plans for these owners usually consist of aggressively putting money aside, or taking another risk: Planning to sell their companies to fund their retirement.

Block, 50, who has owned four companies over the years, didn't start saving for retirement until she was unable to get a loan for Earth-Kind in 2003, three years after she started the company, based in Bismarck, N.D. Her bank asked for a statement showing her personal financial holdings, including savings and investments. She only had an annuity she had purchased when she was 18, and an inheritance. She had never taken money for her retirement out of the companies she had previously owned, which included bookkeeping and delivery services.

"I looked at the personal finance statement and realized there's nothing here," Block says. Bankers want to see an owner's personal finances because they believe people who handle their savings well will also do a good job running their companies and be good credit risks.

Block sought advice on how to save from a Small Business Development Center, a government-sponsored office that gives free counseling to owners. She also got help from investment brokers, asset managers, an accountant and an attorney. And she began a savings regimen. She contributes 3 percent of her salary to her retirement account, an amount matched by the company. And 100 percent of any distributions she takes from the business go toward retirement. Every morning, she spends 10 minutes going over her finances.

Sixty percent of small business owners surveyed by American Express say they're not on track to save the money they need for retirement.

But saving for retirement just isn't a priority for Michael Maher, 28, co-owner of Taylor Stitch, a 4-year-old San Francisco clothing retailer. He and his partners used their own savings to start and build the company.

"I'm controlling my own destiny," he says.

Becky J. Smith, HOEP

From left, Roxi Pflieger, Dan Johnson, Kari Warberg Block, Andrea Stewart, Becky Smith and Kacey Galster review their year-to-date progress toward their personal goals at Earth-Kind headquarters, in Bismarck, N.D., a company owned by Warberg Block.

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