

## 5 Protection Essentials For Every Small Business Owner

Small business owners know that it is their responsibility to keep their operations running smoothly by limiting their risks. However, not all people know how to go about doing this. There are five crucial steps every small business owner should take to minimize risks regardless of the type of business.

### ***1. Choose Words And Actions Carefully***

Avoid conducting business operations or making statements about the company, its image or its services that can be considered questionable. For example, it is better to indicate striving to please customers rather than promising a specific outcome unless the owner is absolutely sure of it. Making promises and guarantees can be done but should be done so with caution and the ability to back them up financially if they fall through. Also, avoid slanderous statements or libel toward competitors. Do not conduct business with individuals or vendors who are unscrupulous. Another issue to consider is limiting conflicts of interest. These types of situations damage integrity, and they can sometimes put a business owner in legal trouble.

### ***2. Retain A Good Attorney***

It is good to keep an attorney on retainer for possible legal situations and for answers to legal questions. Before choosing one, conduct interviews with possible candidates. Ask friends and trusted contacts for attorney recommendations, and use the Internet to search for professionals with good reviews. A good attorney should not only have experience and a solid record but also should be accessible and return calls in a timely manner. Look for an attorney who is local and familiar with local laws and regulations related to business operations. For issues that are only tax related, look for a tax attorney.

### ***3. Stay Separate From The Business***

While some small business owners choose to operate as a sole proprietorship, this can be a problematic choice. If the company is sued, it is often easy for the claimant to take the business owner's personal assets in court. When setting up a business as a sole proprietorship, it is better to set up a trust as well to put the business in. This means the trust will own the business, file its own taxes and will not cause any personal losses for the individual setting up the business. The only assets that can typically be taken are those that are in the trust. This means a person wanting to put a house in a trust as well should put it in a separate one. Some people choose to incorporate their businesses instead. This is another way to separate personal and business finances and assets. The only downfall about incorporation is that there are many more laws involved as well as taxes and reports. When choosing this option, retaining a good attorney is a must.

#### ***4. Keep Adequate Insurance***

Every business should have liability coverage, and some should also have errors and omissions coverage. When there is a formal board of directors, it is good to purchase directors and officers liability coverage, which will protect personal assets if the company is sued on a larger scale. Building protection in a policy is important. Discuss adding specific types of coverage with an agent. This will help prevent financial responsibility for the negligence of others, accidents and acts of nature.

#### ***5. Protect Business Data***

Many businesses conduct their operations and store information electronically. It is important to consult with a computer security expert to ensure all sensitive data is properly protected on a hard drive, external drive and on the Internet. Security software, proxies, spyware removal programs, encryption tools and secure storage are all essential for sensitive information. Having information backed up regularly will also prevent costly losses of data if computer systems crash, and third-party backup services may be necessary as well.

These are just a few of the important steps small business owners can take to protect themselves. One major error in any of these areas could cost the business owner everything. To learn more about insuring against losses, call our office and discuss your concerns with one of our agents.