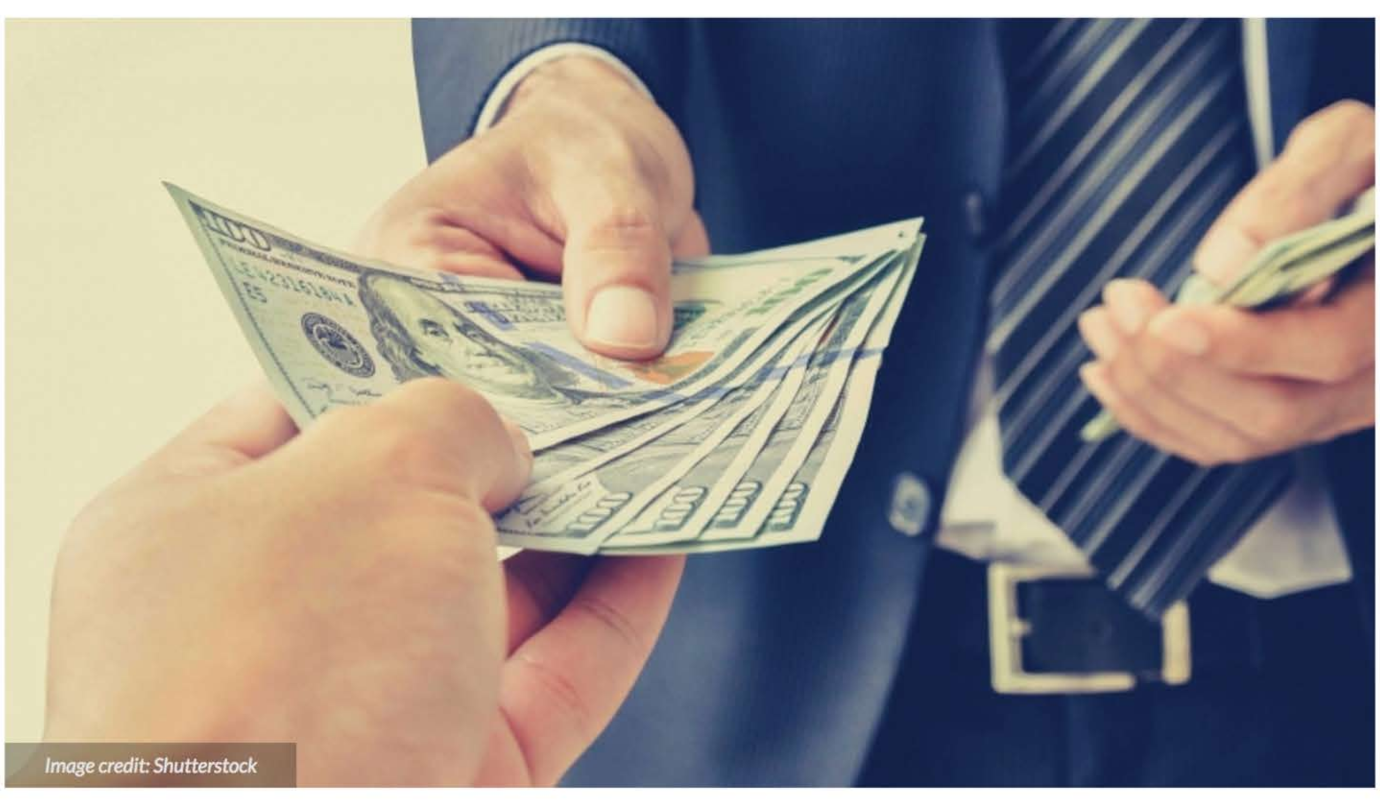
BUSINESS DEBT

Don't Let Student Debt Paired With Startup Debt Demolish Your Financial Ssecurity.

Baby boomers are the fast-growing segment of entrepreneurs. But. all too often, they're still paying for their kids' college education.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The notion of a startup founder with student-loan debt evokes the clichéd image of a Silicon Valley millennial fresh out of college and living in a shared apartment, playing video games and feverishly pitching angel investors to fund his (or her) next "big idea" -- from 3D printing to the next Facebook.

But what about someone born before America landed on the moon? Someone alive and kicking back when Woodstock was considered "social networking"? Someone who is newly retired and, yes, qualifies for a seniors discount?

In fact, baby boomers are the fastest growing segment of entrepreneurs. According to **a report by the Ewing Marion Kauffman Foundation**, boomers represent the latest spurt in startup growth -- with approximately 25.8 percent of new firms now being created by Americans ages 55 to 64.

Nowadays, the average 65-year old can look forward to about 21 more years of a healthy life, and members of this demographic segment are taking full advantage of this time in their lives, applying their wisdom and experience toward new ventures and ideas.

This should be great news for the economy and boomers' nest eggs -- but in fact their future isn't always that bright. The problem is that many boomers are burdened by student loan debt accrued from funding their children's higher education. Add that to the risks of business ownership and the inevitable health risks tied to aging, and even the most careful financial planning may not be able to save these boomers from financial disaster.

Consider, for example, that student loan debt accrued by approximately 3.5 million seniors amounts to $77.8 billion in instruments held in Parent PLUS, a federal loan program for parents of students enrolled in college.

This presents an alarming problem should older adults default on these loans -- with results like garnished Social Security checks, wages and tax returns. The Government Accountability Office reportedthat over $171 million in student loan debt was collected on defaults in 2015.

As seniors approach retirement, the most basic financial advice will suggest that risky investments should be minimized, yet that's not normally an option given the liability a new business carries.

Still, there are several steps to take to mitigate these risks, and the first has to do with the businessperson's basic business structure and incorporation. Done right, this separation will afford the independence of the business from personal finances and investments, sheltering any loss of income or liabilities from a failed venture.

Personal investments can be put into traditional safe and conservative instruments like CDs or bonds. And this will allow the owner -- perhaps you -- to focus your capital on your retirement needs, hedging your bets should your business fail.

Diversity in your portfolio is key. Putting all your financial means into one investment, in this case your new business, is not advisable. With six out of 10 Americans projected to fall short of their standard of living by retirement, it's more urgent than ever that people in this generation save -- and save some more.

Here are other steps to take if you, too, are a boomer dealing with student debt and a new business:

1. Start small.

Starting small is another strategy to keep costs down and profit margins high. With the use of technology such as Skype or FaceTime for videoconferencing with customers, clients, vendors and associates, you can run a successful enterprise right from your home. Sales tools such as Shopify allow you to create a digital marketplace with your customers, which can handle payment gateways and clear funds, all while replacing the traditional "brick-and- mortar" storefront.

Major banks are also moving to using more online interfaces -- keeping costs down and passing the savings along to their customers. Ally, for example offers its savings account holders a 1.00 percent APY interest rate, surpassing Bank of America, whose storefronts and buildings dominate the landscape with expensive real estate.

2. Streamline your debt obligations.

Debt consolidation is another means to lower your debt load and your payments on the principal and interest. By taking your student loan debt and combining it with your other outstanding consumer debt -- credit cards, mortgages, lines of credit and loans -- you have the ability to negotiate or take advantage of a lower interest rate, all while streamlining your payments to one lender and one payment per month.

Another form of consolidation is an income contingent repayment (ICR) plan administered by the federal government. This is slightly more difficult, as the Parent PLUS loan must be consolidated through an application to StudentAid.gov. Approval of the ICR however presents lucrative benefits, where your payments will drop to either 20 percent of your discretionary income, or whatever you would pay on a fixed, 12-year repayment plan once adjustments to your income are made. Loans will be forgiven after 25 years of on-time payments.

3. Have the "money talk" with your children.

Don't forget to talk to your children about helping you with your debt obligations. After all, you did fund their education and chances for future success.

While a Parent PLUS loan can't be transferred into your child's name, you can always refinance this into a private student loan carried by them as they become financially independent and able to service the debt.

4. Use other people's money.

As with any business, outside investment can go a long way to fund start-up and expansion costs. This has two distinct benefits. First, you are able to raise funds without using or losing your entire nest egg. Second, it's also a manner in which you can test the viability of your business, with seasoned investors offering feedback and advice before backing your venture.

By doing this, you can also make changes and adjustments -- even major improvements -- to your business plan that can impact the overall success of your enterprise.

5. Pay yourself first.

The final, and most important advice when starting a new venture is to remember to *pay yourself first*. Often, business owners and founders fail to realize the importance of this. It's all too easy to pay vendors, lawyers, administrators and employees or contractors while you carry the burden and sacrifice of growing your business.

But if your business fails, you're likely to be left with littleprofit or personal earnings. This too will impact your ability to recover your losses as you get older and have less time on your side. Your business counts on you to thrive. So does your family, so don't let the twin risks of student debt and a startup business demolish your financial security.

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