



FIVE STEPS TO MANAGE YOUR BUSINESS RISKS

Starting and building a business is an adventure and, like any adventure, it comes with risks and rewards. Here are five steps you can take to help reduce the risks so you can focus more on the rewards.

M&T Bank



BUSINESS OWNERSHIP COMES WITH RISKS.

Lawsuits. Data breaches. Economic downturns. Natural disasters. Events beyond your control can damage your business and your personal finances. Fortunately, you can help mitigate potential damages tomorrow with smart business planning today.

HERE ARE FIVE STEPS YOU CAN TAKE TO HELP MANAGE THOSE RISKS.

Whether you're just starting out or getting ready to expand, taking just one of these steps or all five can help.

1. Conduct a detailed risk assessment.

Risks to your business can come from all directions – internal and external. A risk assessment helps you identify and reduce internal risks you can control and respond to external risks beyond your control.

Through a risk assessment, you:

- Identify both the internal and external risks to your business
 - Common internal risks include: data breaches, workplace injury, facilities or inventory damage, and employee negligence
 - Common external risks include: natural disasters, increased vendor costs, regulatory changes, and increased competition
- Estimate the probability of these events occurring and their business impact
- Take action based on risk probability, impact and costs

2. Choose the right business structure to protect your personal assets.

Many businesses start out as sole proprietorships due to its simplicity and minimal set-up costs. But that simplicity comes with personal risks. As a sole proprietor, you are personally responsible for any business debts, acts of negligence or lawsuits.

To limit your personal liability, you could instead consider organizing your business as a:

- **Partnership (General, Limited and Limited Liability).** If you co-own your business, a partnership agreement can help limit your personal liability without the complexities of incorporating. However, the extent of your liability will depend upon the type of partnership formed
- **Limited Liability Company (LLC).** Combining traits of a sole proprietorship and corporation, the LLC doesn't require incorporation and limits your personal liability for debts and the actions of your business
- **Corporation (C-Corporation or S-Corporation).** More complex and expensive to form than an LLC or partnership, corporations are legal entities that entirely separate businesses from owners or the people who run them. Only the corporation itself can be held legally liable for the actions and debts incurred by the business

To determine which business structure is right for you, however, you'll also want to consider how structure affects you: taxes, decision-making authority, insurance requirements, set-up costs and ongoing recordkeeping.

3. Choose insurance appropriate to your unique business needs.

Your insurance needs depend upon your type of business, its structure and risks. A standard business owner's plan (BOP) includes: commercial property, general liability and business income interruption insurance. It can also be customized to address your unique business needs risks. For example, you may want to add directors and officers insurance if you're incorporated or professional liability coverage if you're a consultant, accountant or other professional.

For more insight on business insurance, see “4 Reasons to Review Your Business Insurance Policies” <https://www.mtb.com/business/resources-insights/risk-regulation/review-your-business-insurance-policies>”

4. Protect your data.

WPayroll data. Customer credit card information. Inventory and sales tax information. These are examples of data that are more important to running a business than ever before. To protect your business and your customers, you need a plan to protect that data and to keep your business running should a data disaster strike. Here are some of the most important steps to consider:

- Update all virus scanning and security software
- Install firewalls to protect your computer network
- Back up your data regularly to off-site or cloud-based storage
- Use PCI-approved devices for point-of-sale transactions to encrypt sensitive credit card data
- Ensure employees are trained in data security practices
- Add data breach or cyber liability insurance to cover costs and legal liability of breaches
- Store important paper files and documents in fireproof safes or safety deposit boxes

5. Know when and where to seek professional advice.

You don't have to do all this alone. Legal, financial, data security and insurance professionals can help you start out on the right foot – saving you time and money in the long run. By establishing relationships now, you'll know where to turn should risks become reality.

