



Leadership

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How much do you need to retire?

by [Stefan Wissenbach*](#) - Thursday, 8th January 2009 -



The story of an entrepreneur can often be traced back to his past. But his future is also a vital influence on his business narrative.

Richard Branson's first foray into the media with a student magazine and Lakshmi Mittal's past as a worker in a steelmaking factory are just two of the most inspiring, and commonly-cited, rags (or mags) to riches tales. It's a commonly held belief that our life experiences shape our future business decisions. Just one glance at the route that most entrepreneurs take in building their businesses proves the point. Most start their careers working for someone else, then following what we sometimes call an "entrepreneurial" seizure, they decide go it alone. Most business-owners establish companies in industries they have worked in: their past informs their business path.

We talk about accomplishments-gone-by and learning from experience, but how often do we let the future guide our day-to-day decisions? Not enough. In fact, every business owner should have an accurate, meaningful picture of what their future looks like and the wealth they must accumulate in order to afford it. I don't mean your five-year business plan. I mean your distant future: where you will retire, where your children will be schooled and when you will withdraw from the rat-race to enjoy the fruits of your labour.

Your future should guide your everyday decisions. One of the ways we do this is through our Magic Number process. The Magic Number is the amount of wealth clients must accumulate in order to be in a position where they can decide whether to work or not.

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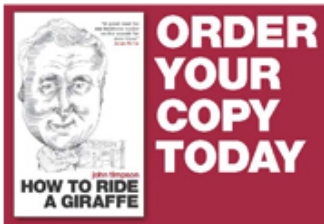
The country's top entrepreneurs tell all about how to make big money



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Let's take Steve Morris as an example. Steve has spent 15 years building his engineering business from scratch into a serious player that turns over nearly £25m. He started his business with typical entrepreneurial passion and enthusiasm but found himself wondering what the point of it all is. He was unsure of what the best decisions were because he wasn't really sure what the end objective was.

In order to reignite the passion and highlight some very clear immediate goals, Steve needed some clarity around how he wants to live life in the future. He needed to understand how he wants to spend time with his family and friends, how he wants to holiday and how he wants to embrace interests and hobbies. Then he needed to wrap a figure around those elements to help him understand how much financial independence to live the life he dreams of will cost.

That might mean understanding that he wants to spend £15,000 per annum on holidays. Perhaps he wants to set aside £20,000 to contribute to his daughter's wedding. He also wants to allow for around £14,000 worth of annual miscellaneous entertainment expenses – eating out, going to the theatre and sailing days. Only once Steve thinks in these factual terms can he begin to establish the precise amount of money he requires to be in a position where he can choose to work or not.

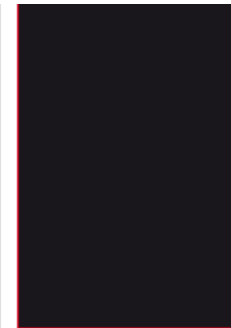
Steve establishes that his Magic Number is £1,580,000. Suddenly Steve can place everything back into context and his decisions become more meaningful. Perhaps he closes that acquisition with greater fervour because he knows the combined profit margin will take him closer to his goal. Perhaps he reconsiders his plans to expand into China because the establishment costs would mean that the deal takes too long to break even and there are more profitable ways of adding to the bottom line.

The motivational benefits of this approach are invaluable. When entrepreneurs start out, they're spurred on by the thrill of the challenge, the element of the risk and the fear of the unknown. Ten years and several million pounds later, they can feel caught in the clutches of the monster they created, unsure of what the end game is. Knowing what you're working towards can refocus and revitalise you because it gives you a new challenge. Suddenly the finishing line is drawn – whether it is ten years or one month away.

Successful business owners are undoubtedly products of their pasts. But they should also be designing their companies for their personal futures. Establishing an emotional connection with the future can put your plans in context, guide you to that future faster than you ever imagined and ensure you have a map to keep you on track for the journey.

*Stefan Wissenbach is the CEO and founder of [The Wissenbach Group](#).

Picture [source](#)



REAL BUSINESS

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Spending will slow but not stop

This is my opportunity to spend on R&D and technology and get ahead of my competitors

I choose not to take part in the economic downturn – it's business as usual for me

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