



What to Do With a Pile of Money

By Colleen DeBaise
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QUESTION: I have around \$100,000 in my small-business savings account at my local bank. I don't want to tie the money up for a long period of time. Where do you suggest I put it?

— *Anonymous*

ANSWER: Kudos! For many small-business owners, having an extra 100 grand to kick around after you've (presumably) made payroll, tax payments, and retirement contributions is a sign of success.

So now what? The good news is, thanks to rising interest rates, there's absolutely no reason to have your money sitting at a bank earning a piddling 1% in annual interest. Your money can be safe while earning 4.5% or more. But if you haven't already slated that money for a future expense, you may also want to put at least some of it to work for you now, either by investing in your company or paying off debt. Here are some options to consider.

First, debt. If you have it, pay it off. After all, why pay 9% or more in interest for a line of credit (which most business owners readily tap to buy inventory, pay vendors and manage seasonal dips)? Knocking out that debt is an oft-overlooked way of earning money, says **Jerry L. Mills, founder of Phoenix firm B2B that provides part-time CFO services to small businesses**. It also boosts your credit — and can impress your lender. "I'd high-tail it to the banker and improve the relationship," he says. "When you take a check in for \$100,000, you've got his or her attention. It's a wonderful opportunity to set yourself apart from the crowd."

If, happily, you're debt free, think about investing some of that extra cash in new equipment for the office. Most small businesses can deduct up to \$108,000 this year for machinery, furniture, software and other assets, under what's known as the Section 179 deduction. (A catch: The equipment must be placed into service by the end of 2006, so get shopping if you want to qualify.) For all the details, [click here](#)¹.

Certainly, parking that extra cash is a fine option, too, says Mark Hogan, president of Bank of America's Small Business Banking. A popular choice for his small-business clients is the bank's "Risk Free CD," which carries a term of five to nine months (depending on the state) and doesn't impose a penalty if you need to withdraw early. The current return is about 4.5%. The mindset of most business owners is "I want to get a better return on this money, but I might need it tomorrow, and I want to protect the principal," he says. Try this initial step, and when you get another round of company profits, consider longer-term investments, he suggests.

No matter what, do *something*. Many entrepreneurs who struggled in the early days can find it tough — oddly — to embrace their businesses' sound financial health. As a result, some business owners play it too safe, for too long, with company profits. "The bigger issue is



2 Are you a small-business owner with advice for this reader? Email us your recommendations³ and we might post them.

the psychological one," says Bob Clyatt, a former business owner and author of "Work Less, Live More" in Rye, N.Y. "They'll leave it earning very little interest in a savings account or a money market. Then it will finally dawn on them: It's safe, I can take this out of the company."

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