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JOURNAL REPORTS: WEALTH MANAGEMENT

An Entrepreneur Finds Profit in Pets

A Detroit woman finds success by saving and investing in her business

Liz Blondy has tapped credit cards for renovations of her Canine to Five business *PHOTO: LAURA MCDERMOTT FOR THE WALL STREET JOURNAL*

By **ADAM JANOFSKY**
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As the saying goes, every dog has its day, and Liz Blondy is hoping that hers is around the corner.

For the past decade, Ms. Blondy has run a dog day-care, boarding and grooming facility in Detroit called Canine to Five. Over the past several years, she ramped up her savings and built a nest egg. Now she's expanding her company, and hopes her preparation will pay off.

Although she started the company with "a bunch of credit-card debt," it has grown to about 40 employees, both full- and part-time. Ms. Blondy started paying herself a steady salary during the second year, and has given herself raises entirely based on the company's performance.

She purchases her own health insurance from Blue Care Network of Michigan, which is owned by Blue Cross Blue Shield of Michigan. "I don't have the bottom of the barrel, but I don't have the top of the line," she says of her health plan.

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She and her long-term boyfriend don't have children or joint bank accounts, but they have life insurance and list each other as beneficiaries.

Ms. Blondy owns a car and a cottage in southeast Michigan that she bought several years ago. "My vice is traveling," she says, adding that she sets aside about $6,000 a year for vacations. Thanks to airline miles earned from the credit cards used to expand her business, she adds, "I now have enough bonus miles to go to New Zealand in the fall."

Since 2006, she has contributed about $5,000 annually to a Roth IRA. "I'm a saver," says Ms. Blondy, who tries to contribute the maximum amount each year. (For people age 50 and under, the contribution limit to a Roth IRA is currently $5,500 a year.) Ms. Blondy also recently started a Simple IRA for Canine to Five, which will allow her to make contributions of up to $12,500 a year.

While she doesn't invest additional money in stocks or bonds, she considers her firm's two buildings as part of her retirement. "I haven't really thought about an exit strategy yet," she says.

Ms. Blondy also has a $30,000 emergency fund in an easily accessible savings account, in case business slows down or something breaks. "I try to put as much as I can into it," she says.

That cushion might soon come in handy. Ms. Blondy recently opened a second location in a suburb of Detroit. While the business is growing rapidly—she expects her revenue of about $500,000 to jump 40% this year—it has come with unexpected costs.

"I really underestimated my renovation cost," says Ms. Blondy, who puts the price tag at about $300,000. "I'm once again deep, deep in credit-card debt, which is frightening to me." While banks show little interest in lending to businesses of this size, she has gotten loans from a couple community-development organizations and is tapping credit cards to cover the renovations. Says Ms. Blondy, "You do what you have to do to get your business up and running."

Advice from the pro: Ms. Blondy is "in pretty good shape," says Jason Moore, a fee-only financial adviser in Bloomfield Hills, Mich.

Mr. Moore praises Ms. Blondy's decision to set up a Simple IRA for her company, which allows her to make larger contributions and defer taxes immediately. "The typical employer match is 3%, but a lot of times the benefits outweigh the cost," says Mr. Moore, adding that it can help boost employee morale, giving them an incentive to stay longer and feel more invested in the company.

Mr. Moore generally advises keeping two to four months of living expenses in an emergency fund, but because Ms. Blondy is self-employed he recommends six to 12 months. "Income for her is more sporadic," he says. "If your health goes bad and the economy tanks, you want to have reserves to sit on."

Although some financial advisers don't factor in real estate when calculating retirement planning, Mr. Moore says it is smart to do so to gauge how concentrated clients are in one area. "I don't want people to have 90% of their savings in real estate," he says. He recommends a cutoff of around 60%. "If your income fluctuates or disappears, it is nice to have at least 40% of your assets in stocks and bonds, which are more liquid than real estate."

The adviser applauds Ms. Blondy's setting aside roughly $6,000 a year on vacations. But he says it is important to revisit the numbers throughout the year. "Things happen, and you need to take into account how business is doing or if something breaks," he says.

"But I also encourage my clients to pursue what they enjoy and not keep their nose to the grindstone all the time."

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