

## Business Planning

Can you afford to let everything slip through your fingers?



Many business owners don't even know they have a problem – do you? Understanding the issues can mean financial health for you, your business and your family.

### **Here are the problems**

As a business owner, you're concerned about the longterm success of your business. Profit and growth are among the most important business objectives. As your business grows, so do a number of potential problems. Often, these problems are recognized too late. Proper business planning will ensure your business continues to be successful.

### **Buy-sell funding**

If an owner or partner dies, becomes critically ill or becomes permanently disabled, what will happen to your business? If no planning has been done, owners can suddenly find themselves in business with the spouse or executors of the deceased owner, or with a permanently disabled owner who can no longer contribute to the business. The survival of your business could be at stake. To properly manage this, the owners should enter into a buy-sell agreement to ensure their interests are protected.

### **Key person coverage**

Disasters come in all forms. In the business world, the loss of a key employee can translate into corporate red ink. The most important element of a successful business is its most valuable people. The loss of a valuable employee could seriously affect the position and public perception of your business. Your sales could drop, your cash flow could slow and your company's position with creditors and banks could become strained. At the very least, a new person has to be recruited, trained and guided to replace the key employee. This takes time and money.

### **Capital gains tax**

As a business owner, you have worked hard to build the value of your business. You may have started from scratch or with relatively little initial investment. Your efforts have led to a sizeable increase in the market value of your business as your surplus has grown and debt has been reduced. At this point, the value of your business may have increased well beyond your initial investment. This growth carries a hidden liability. If you die or sell your business, a capital gains tax is triggered.

## What are your options?

Creating an effective business plan means ensuring the financial health of you and your business and ensuring your family is looked after. There are a number of ways you can fund a buy-sell agreement, protect against the loss of a key person or deal with capital gains tax. Consider your options:

- you can start saving today
- the needed funds can be borrowed from the bank
- you can sell assets
- you can purchase insurance (life, disability, and/or critical illness) to provide the needed funds.

## The most economical solution

Life insurance can be the most cost-effective planning solution to fund these needs. It can provide tax-free cash exactly when it is needed. It guarantees that money will be available to fund the buy-sell agreement, cover key person replacement costs, pay off a debt or cover a large tax bill. What you get is peace of mind knowing these problems are taken care of.

## Business Planning Pyramid

There are many different models to describe the development of a business from inception to maturity, and they generally describe the same process. The development of a business can be reflected in three distinct phases, each having its own set of concerns.

### Phase 3: Established business

7 years +

#### Concerns

- Compensating key executives
- Enhancing owner compensation
- Dealing with capital gains tax
- Business continuation & succession planning

More cash flow

### Phase 2: Growing business

3-7 years

#### Concerns

- Who will continue the business?
- Providing benefits to employees
- Helping employees save for retirement

Less cash flow

### Phase 1: New business

1-3 years

#### Concerns

- Protection against the loss of key people
- The risks of debt financing
- The loss of an owner