



The Exit Strategies Newsletter

Insuring Your Future Exit

One of the most interesting aspects of business ownership is an owner's ability to grow and harvest substantial illiquid wealth but fail to protect it with some simple strategies. Reminding you to take some time to protect what you have built over many years of hard work is the objective of this exit planning newsletter. One of the easiest ways to manage these unseen risks is through planning and purchasing insurance.

To start, it is interesting to note that prior to the advent of insurance, risks in your business and your life could not be mitigated with the simple purchase of an insurance policy. A bit of thought on this topic will make you reflect on the notion that there are entire institutions established to taking the risk out of your life. Few owners would argue with the logic or appeal of this statement. But for some strange reason, too many owners fail to secure those necessary protections.

A Courtesy to Others

A minority of private business owners will make the claim that they are indifferent to what happens at their death; that it will be someone else's

problems. This is very true. An unplanned estate is

a big problem. Therefore the process of insuring your future is a courtesy to the other people in your life. It is an extension of how you handle your affairs during your lifetime. Those who care about the protection of their wealth and the avoidance of problems for their heirs, employees, managers, business partners, community and others will take the necessary steps to manage against risks in business and life and insure their future. Even though the premiums that you pay for your policies may not generate a return for you in your lifetime (such as in the case of term life insurance), your legacy will continue and those that you care about will have the liquidity that they need.

What Risks Exist ?

What is said in life is echoed in estate and insurance planning – *you cannot avoid death and taxes*. Taxes – particularly estate/death taxes – are a risk that could remove most of the wealth (above a threshold amount) that you have accumulated over your lifetime. That

money simply gets transferred to the government. Without an insurance policy in place (or some longer-term advanced planning) the tax payments need to be made through your currently liquid accounts. Sometimes this creates a fire-sale for your business, bringing your legacy and your business to an end.

In addition to estate taxes, you also need to consider the viability of your family/business financial situation if you are no longer able to run your business. This does not only apply to death, but also to disability and/or old age. What would happen to your business and family today if you could no longer run your business? Have you spent the right amount of time considering this issue?

The Psychology of Insuring Your Future

So why don't business owners take the time to put the proper insurance in place?

For better or for worse, it is often said that insurance is something that continues to be sold, not purchased. In other words, insuring one's future against a catastrophic event requires a sales process in which a purchaser of insurance needs to see a vision of what could happen to their lives without insurance. This, unfortunately, is the most optimal way to sell insurance but it does not serve well the many owners who need to purchase it.

The issue can be summarized this way. Business owners are risk-takers and to be a risk-taker you cannot spend time dwelling on what could go wrong.

Rather, it is a requirement of most business owners that they stay focused on positive outcomes. Many owners credit the success of their business with their ability to remain positively focused at all times. So you need to reconcile the difference between envisioning the worst-case scenario and remaining positively focused on your business.

Your Plan versus Someone Else's

Where do you want your wealth to end up? How do you want it distributed? When do you want that to happen? Do you have a clear, written plan that you understand to achieve these business and personal goals?

The essence of any exit plan is to provide for an owner's business and personal needs, while planning for life beyond the business. Your business and wealth, today, are unlikely to pass according to your desires without this type of planning in place. And, if you have accumulated substantial wealth in your business, your legacy may simply turn into one of family fighting and discord as your heirs spend their time and money fighting the tax bills and each other to divide up what you have built over a lifetime.

Take Action Today

Call your insurance advisor and request a review of your existing policies for your business and your personal lines. Look at the purchase of insurance as a business decision, nothing more, and nothing less. You worked a lifetime to build what you have. Just as you were responsible for

the success of your enterprise, you are equally responsible for seeing its succession and/or transfer, including your exit. Be sure to remember to insure your future exit. In doing so, you will achieve the peace of mind that comes as a result of all proper planning.

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