

Critical to preserving a family’s legacy may be the implementation of a comprehensive succession plan.

Family businesses, businesses with non-related owners and family offices need to address the various contingencies impacting success.

**SUCCESSION  
PLANNING**

**Succession planning is critical to an effective transition of the ownership of a business; whether that transition occurs due to a planned exit by the owner or an unexpected event**

**Problem: Death, Disability or Retirement**

The death, disability, or retirement of an owner is potentially devastating without adequate planning. For a business with multiple owners, distinguishing the issues of control and equity/value are critical to a successful transition.

**Solution: An Insured Succession Plan**

Insuring the lives of the owners as part of a buy-sell agreement will allow the family of the deceased owner to monetize their equity value in the company while also ensuring a smooth business transition among the remaining owners.

**KEY MAN**

**Prudent risk management may necessitate insuring the life of an employee who is crucial to business operations**

**Problem: Loss of a Key Employee**

Most businesses are dependent on key employees. The loss of a crucial employee often impairs the financial success of a company.

**Solution: Insuring the Life of a Key Employee**

The insurance proceeds provide capital and liquidity to replace the key executive, pay off debts, distribute money to investors, or pay severance to employees

**ESTATE  
PLANNING**

**Business owners have a myriad of estate planning concerns that will require sufficient liquidity upon their death**

**Problem: Estate Taxes**

Estate taxes can have a debilitating effect on a closely-held business if there is not enough liquidity.

**Solution: Insure the Life of the Business Owner**

Life insurance provides liquidity via an income tax-free death benefit.

**Problem: Estate Equalization**

Passing a family business to the next generation can present challenges, especially when some of the heirs are active in the business, and others are not.

**Solution: Create Equality Among the Heirs**

Life insurance on the senior generation business owner provides capital to equalize the inheritance for the non-active heirs while protecting the business for the active heirs.

**Problem: Incomplete Planning Strategies**

Business owners may sell a portion of their interests to an intentionally defective trust. The payment of the note from the trust to the owner requires time. The sale may also involve a discounted valuation. Ultimately, the IRS may determine that the valuation was too aggressive and may reduce or disallow it altogether.

**Solution: Hedge Mortality Risk Associated with Estate Planning Goals**

In the instance of the note, the certainty of an income tax-free death benefit ensures planning success. In the event of a challenged discount, the death proceeds provide the funds to pay the additional estate taxes.