

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.