

According to familybusinessinstitute.com, 88% of current family business owners believe the same family or families will control their business in five years, but succession statistics undermine this belief.



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BUSINESS CONTINUATION PLANNING

Only about 30% of family and businesses survive into the second generation, 12% are still viable into the third generation, and only about 3% of all family businesses operate into the fourth generation or beyond. The statistics reveal a disconnect between the optimistic belief of today's family business owners and the reality of the massive failure of family companies to survive through the generations. Research indicates that family business failures can essentially be traced to one factor: an unfortunate lack of business succession planning.¹

Whether your business is a one-person operation, a partnership or a closely held corporation, a business continuation plan should be a major component of your overall business strategy. A business continuation plan isn't just about protecting your business either. Your business might be the cornerstone of your family's financial security. You may have even used your family's assets or home to secure a loan for your business. Life insurance can play an important role in funding an effective strategy for your business continuation plan that will not only secure the future of your business, but can offer financial protection to your family in the event of your death.

How can life insurance help? Life insurance death benefits are generally paid out income tax free and payments are immediate. Having cash on hand can help your family to implement your plans and make the business transition easier. In the absence of a family succession plan, it may be necessary to liquidate the business, sell the business or hire



someone else to manage the company for the family. In each of these instances, the proceeds from the life insurance can be used to make up for lost income and offset the costs associated with the liquidation, the sale or the hiring of a new manager.

There are a few different strategies you can implement when structuring your business succession plan. Depending upon what type of business entity you have and whether or not family is involved, you may choose to enter into a Buy-Sell agreement. Or perhaps you want to take out a Key-Person policy on yourself to ensure that the business would have the cash necessary to replace any lost income or to hire your replacement. Either way, life insurance can be and most often is a necessary component to a successful business continuation plan. Where your business is concerned, you don't leave success to chance and you shouldn't leave your business succession to chance either.

¹"Succession Planning." *Family Business Institute*. n.p., 2009. Web. 13 Oct. 2015.

This presentation presents an overview of business planning. It is not intended to provide full disclosure. It is not intended to give tax or legal advice. Any comments about tax treatment simply reflect an understanding of current interpretations of tax laws as they relate to business planning and life insurance. Tax laws are always subject to interpretation and possible changes in the future. **It is recommended that you seek the counsel of your attorney, accountant, or other qualified tax advisor regarding business planning and life insurance taxation as it applies to your particular situation.** These pages depict certain business planning options. All references to the present or future value of death benefits and cash values of pre-existing life insurance policies are based on the information you have provided for purposes of this analysis. They should not be construed to be the actual present or future values of the death benefits or cash values available in those life insurance policies. For a detailed projection of policy values of a given life insurance policy, please contact the company that issued the policy(ies) in question.