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Before we get into the main content of today's conversation, here are some important notes related to what we'll discuss.

Please read these notes carefully to understand important aspects of this information.


Hello… thanks for joining me today.

If you're a business owner, you're well-aware that it's a big job.
In many cases you need to wear a number of different hats,
and know a lot about a lot of stuff.

There are a lot of great rewards for running your own business,
but it's typically very stressful, too.

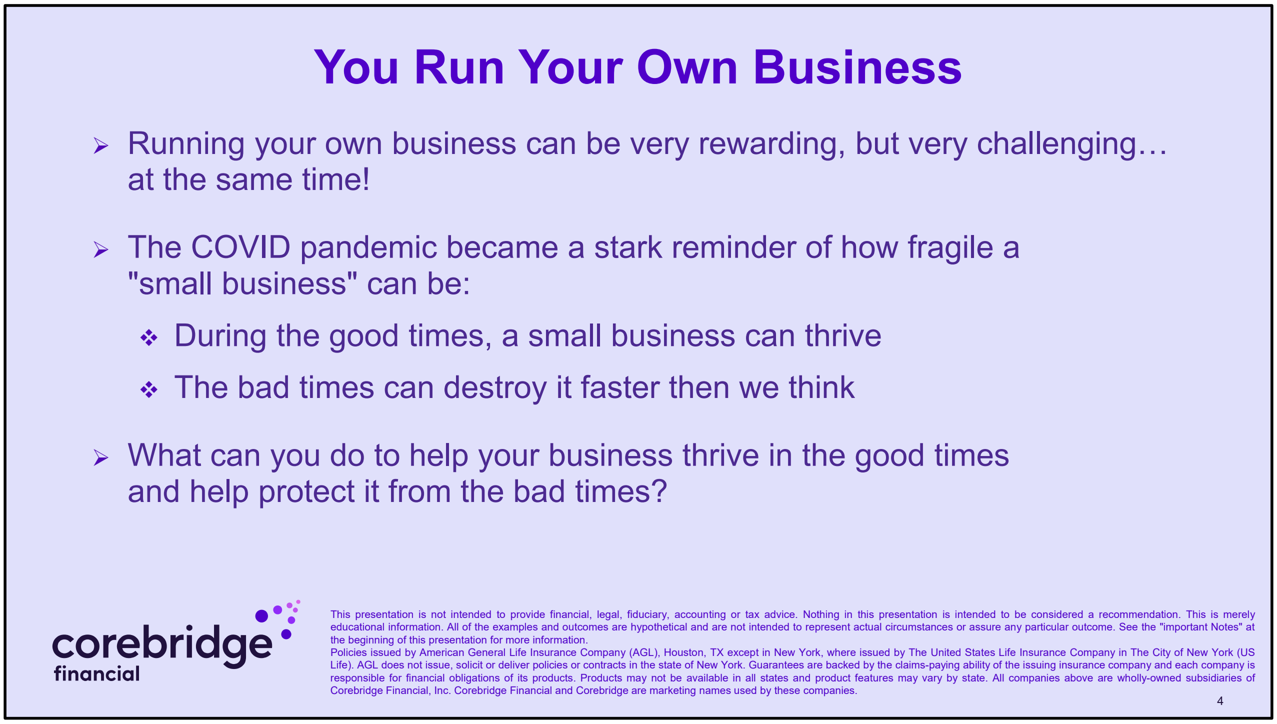
By their very nature, business owners are typically natural optimists.
People would be unlikely to start businesses if they weren't optimists.
And, as optimists, they're more inclined to look at the "glass half-full"…
optimists are inclined to think things will always work-out for the best.
As such, they're unlikely to spend an inordinate amount of time
ruminating about what could go wrong.

But that's what today's conversations are all about… those issues that business owners often choose not to address…
but in the back of their minds they know they should.

Today we're going to look at 6 different business issues that can cause a lot of stress… and keep a lot of business owners up at night.

Maybe you'll find that you can relate to one-or-more of these common business-owner concerns…
and just maybe you'd like to do something about it.

Let's get started.




As you know, running your own business can be very rewarding.
But it can also be very challenging… at the same time!

The COVID pandemic became a stark reminder of just how fragile many businesses can be:

❖During the good times, a small business can thrive.

❖However, the bad times can destroy it faster than we think.

We don't have to look very far to find businesses that seemed almost impervious *prior to the pandemic* that didn't **survive** the pandemic.

Are there steps that can be taken to help a business thrive during the good times, and help protect it from the bad times?

Let's examine a few situations that just might be keeping **you** up at night…

# What Keeps *You* Up At Night?

***(click on any underlined topic to learn more)***

- What happens to my retirement if my business folds?
- What happens if one of my most valuable employees leaves?
- I'm a sole proprietor… what happens to my spouse's retirement **if I die** unexpectedly?
- I have business partners… what happens **if I die** unexpectedly?
- I have business partners… what happens to our business **if one of them dies** unexpectedly?
- I have business partners… what happens **if one of them retires**?
- **In each section we'll discuss:**
  - ✓ What you want to happen;
  - ✓ What can happen in the absence of planning; and…
  - ✓ An idea you might want to consider

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Here's a list of 6 things that can cause a lot of anxiety for business owners.
These aren't the typical day-to-day issues like sales, marketing, accounting, revenue, expenses and profits.
These are the bigger-picture issues, largely looking from a senior-management-perspective.
This is a focus on "the people" that make a company successful, and the families that support them.

The first issue we'll talk about is
"What happens to my **retirement** if my business folds?
Many business-owners have the majority of their net worth tied-up in their business.
If something happens that causes the business to fold prematurely, then what?

The next five issues are focused on the people involved… both the owners & employees that are directly involved in the business, and the families that are indirectly involved, but are affected by the outcomes of the business.

For example, what happens if one of the business's most valuable employees <u>leaves the business</u>?
If they were truly a "valuable employee," their departure will leave quite a hole.
Rather than solving that problem <u>after it happens</u>, we'll look at ways that this situation might be prevented.

The next three issues have-to-do with someone dying unexpectedly.
For example,

- In a sole-proprietorship, if the sole-proprietor, owner and operator of the business dies unexpectedly, their surviving spouse or life partner could see their retirement vanish right before their eyes.
- In partnerships and corporations, what happens to your partners… and to your family… if YOU die unexpectedly?
    - ✓ I suspect your surviving spouse or partner would like to be bought-out, but is anything in-place to make that happen?
- And what about the issues YOU face if one of your partners or co-owners dies unexpectedly? Most of your worth is tied-up in the business.
    - ✓ Could you come-up with your share of the money to purchase the deceased partner's ownership from their family?

The final issue is about retirement…
what happens if one of your business partners retires?
It's like that they also have the majority of their wealth tied-up in the business.
How do they convert that business wealth into personal wealth that can support them in retirement?

In each of these six sections we'll discuss three different pieces:

1. First, in a perfect world, what do you ***want to happen*** if one of these events occurs?
2. Secondly, based on the plans that are in-place today, which is often "no planning at all," what ***can happen*** in the absence of planning? This is a question many businesses fail to face until it's too late.
3. And third, we'll take a look at an idea or concept that could help alleviate the consequences of these potential problems… or maybe even eliminate the concerns entirely.

So let's jump-in and review each topic, one at a time, and think about how these issues may be affecting your business.

If you're viewing the PowerPoint presentation instead of the video, you have the ability to decide which of these issues is most-pressing for you…
which one causes you the most angst.
In the PowerPoint presentation you can simply click on any one of these items and "jump" directly to it.
However, in a video we need to progress linearly through each topic.
You could however, scroll the video ahead if you want to try to find the topic that means the most to you, rather than watching the entire video from beginning to end.

Let's get started.


The first topic is:
"***What happens to my retirement if my business folds?***"

Here we're not talking about making a decision to sell a successful business… a sale that could garner a great price.

Here we're talking about a business that falls on hard times, at-or-near retirement. Because the business is floundering, it may not be sellable for a meaningful value… there may not be any buyers for a struggling business. So you need to close-it-down and liquidate it.

If you have the majority of your wealth tied-up in your business, which business-owners often do, this could be an important concern.

## What Happens To My Retirement If My Business Folds?

### What You ***Want to Happen***:

- You want to shut-down the business, and sell what you can
- You hope to walk away with the most value possible
- If you're close to retirement, hopefully you have some money socked-away in a retirement plan

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Let's begin with the first of the three parts we'll see in each section: ***"What you <u>want</u> to happen."***

If your business folds, the goal is generally to shut-down the business and sell whatever can be sold, in the hopes of walking away with the most value possible.
That money could be reinvested, perhaps in a non-qualified portfolio of investments, to help build one facet of your retirement.

In addition, if you're folding-up your business when you're close to retirement, hopefully there's some money socked-away in a retirement plan that'll help provide income during your retirement.

## What Happens To My Retirement If My Business Folds?

**What *May Happen* in the Absence of Planning:**

- You shut-down the business, and sell what you can
- You're saddled with debt and walk away with less than you had when you started
- You're essentially starting over
- If you're close to retirement, rebuilding your finances could be very challenging

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But then we get to part two of **"What happens to my retirement if my business folds?"**

In reality, you shut-down the business and sell what you can.
You may have inventory that you purchased with borrowed money.
The sale of that inventory may need to be used to pay-off that debt.
If you own the building that the business is operated-from, the sale proceeds of the building may largely need to go to pay-off the building debt.

In many small businesses there's an amount of debt that needs to be paid-off when the business is liquidated, and paying-off that debt may mean that you walk away with less than you had hoped… in some cases you may walk away with less than you had when you started the business.

And now you're essentially starting over.

If you're getting close to retirement, rebuilding your finances could be very challenging.

## What Happens To My Retirement If My Business Folds?

### An Idea You Might Want To Consider:

- Begin funding a Life Insurance Policy to
  a) provide needed life insurance, and…
  b) potentially accumulate policy value that can be available to supplement retirement savings
- A personally-owned policy is not a business asset
- Most states offer some form of creditor protection for personally-owned life insurance policies… protection for cash values and death benefits
- If you're nearing retirement, your life insurance cash values could be helpful to retiring comfortably

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So, in part three, we'll look at an idea or concept that might alleviate concerns like these.

One idea is to consider funding a cash-value life insurance policy to (a) provide life insurance death benefits that may be needed anyway… the death benefits can provide value to the family if the proprietor dies unexpectedly; and…
(b) provide a way to potentially accumulate policy value that can be available to supplement retirement savings… something <u>outside of the business</u>.

Remember that a <u>personally-owned</u> life insurance policy is NOT <u>a business asset</u>, it's a <u>personally-owned asset</u>.
And that's important because most states offer some form of creditor protection for personally-owned life insurance policies… and the creditor protection can apply to both the cash values <u>and</u> the death benefits of the policy.

If you're nearing retirement when you fold-up your business, the cash values of the life insurance policy could be helpful to supporting a more comfortable retirement.


Hopefully this section provided you with a thought-provoking conversation about ***"What happens to my retirement if my business folds?"***

You now have a choice:
You can click on the button in the center of the screen to return to the main menu, or you could just continue to the next slide to review the next topic.

# What Happens If One Of My Most Valuable Employees Leaves?

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The second disconcerting issue in this series asks: ***"What happens if one of my most valuable employees leaves my business?"***

Valuable employees are not necessarily "a dime-a-dozen," with valuable employees lurking around every corner.

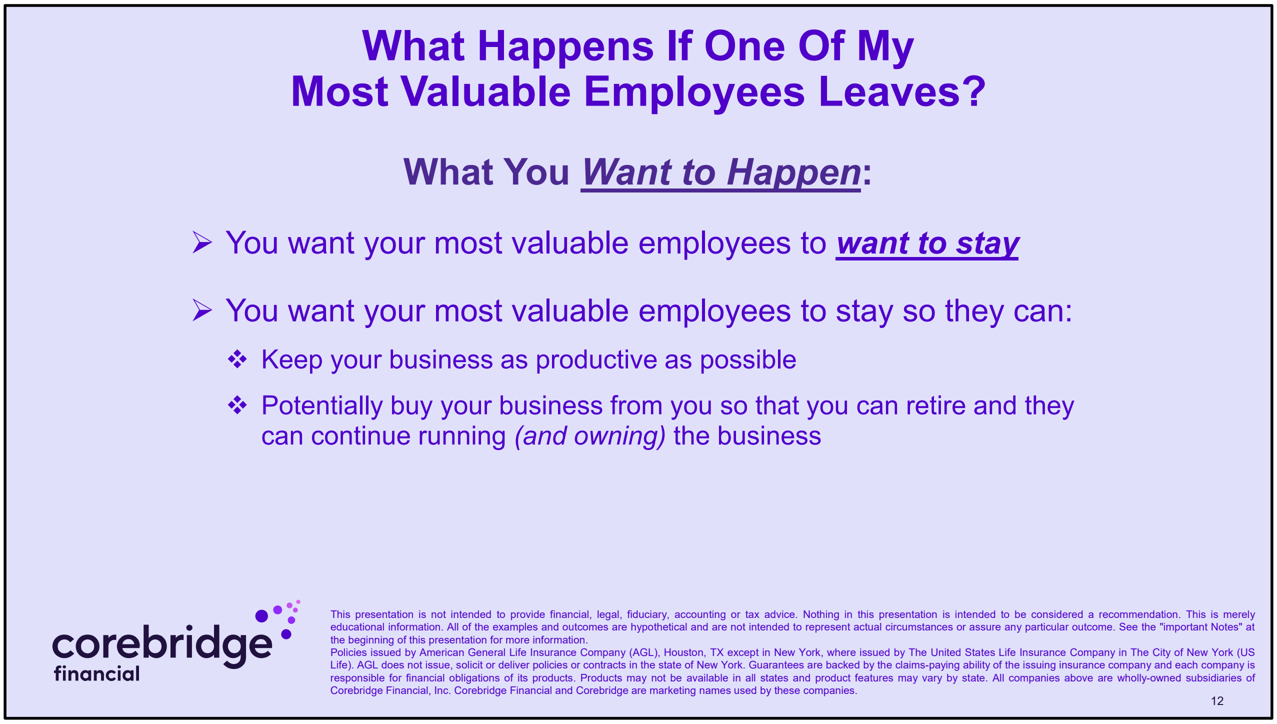
Sometimes a valuable employee is someone that has worked in the business for a long time, has lots of experience, and has formed important business relationships, making them very difficult to replace

Because of those business relationships that are essentially controlled by this valuable employee, there's always a risk that this valuable employee could take those important business relationships with them when they leave… potentially taking them to a competitor!

All of the implications of a valuable employee leaving can be very impactful to the business.

So let's walk through our three different scenarios:

- What would a sole proprietor <u>want to happen</u>?
- What might <u>actually happen</u>?
- And… What might be done to alleviate the angst that goes along with this particular concern?




The answer is that "***you really don't want your most valuable employees to leave in the first place***," right?

What would really be ideal is if your most valuable employees ***<u>want to stay with your company</u>***, right?

You want these people to stay because they are the backbone of your business.
If they stay, they keep your business as productive as possible.

And in the big picture, they may ultimately be the people that buy your business from you, enabling **<u>you</u>** to retire, and enabling **<u>them</u>** to continue owning and running the business.

If ***that*** could happen, we'd probably all agree that things worked-out pretty well.

## What Happens If One Of My Most Valuable Employees Leaves?

### What *__May Happen__* in the Absence of Planning:

- High-performing employees may look for opportunities elsewhere
  - It's one thing to lose high-performers…
  - but losing them to your competitors can be even worse!
- Replacing a high-performer takes a lot of time, effort and money
  - The impact to your business can be significant

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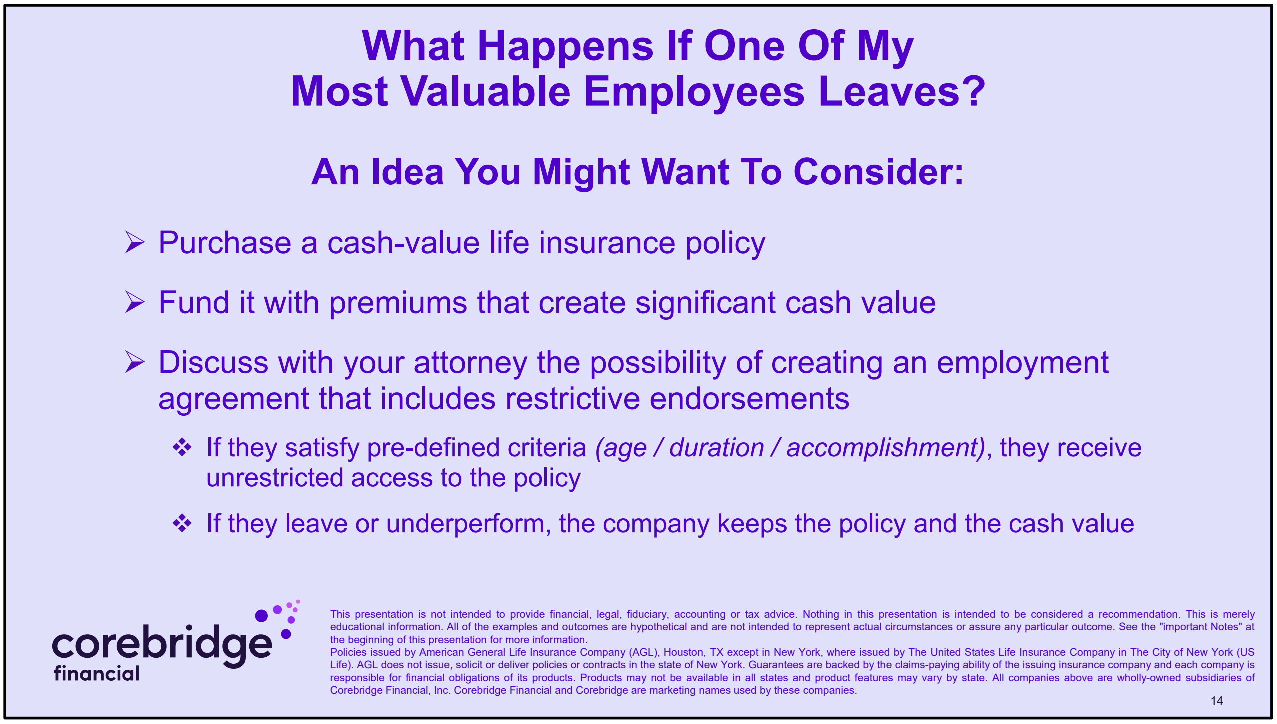
But, if you haven't done any planning to take this possibility into consideration, then what could happen in the absence of planning?

First of all, if the right incentives aren't in-place to encourage high-performing employees to stay, they may look for opportunities elsewhere.
We all know that it's one thing to lose a high performer,
but losing them to a competitor can be the worst possible outcome.

Secondly, replacing high performers typically takes a lot of time, effort and money.
You're either:

a) hiring someone with less experience than you'd like, in which case they may have come-on-board for less money, but there could be years of hands-on training necessary to get the new, less-experienced person to be as impactful as the high-performing employee that was lost; OR…
b) hiring someone that has a lot of skill and experience, in which case they were probably a pretty expensive hire.

Either way, the impact to your business can be significant when a high-performer leaves.




So what could be done, perhaps in advance, to create an incentive that keeps that high-performer with your company?

One thought is purchasing a cash-value life insurance policy, and funding the policy with premiums that have the potential to create significant cash value in the future.

There are a few different ways to structure the ownership and beneficiary designations of the policy, so it's always wise to discuss the alternatives with an attorney and a life insurance expert.

It's not uncommon that the valuable employee could be the owner of the policy, the business could fund the premiums, and an employment agreement could be created that includes restrictive endorsements that define things like:

- If the valuable employee satisfies pre-defined criteria, such as attaining a certain age, or completing a specified duration of employment, or completing a specific accomplishment, that the full ownership and control of the policy… including its cash values… would be turned-over to the valuable employee. The valuable employee would now be able to use the policy, its cash values and its death benefits in whatever way was most appropriate.

- Alternatively, if the valuable employee leaves the company before those defined events, or if they fail to perform up to the levels expected and defined in the agreement, the company keeps the policy and the cash value.

This kind of arrangement can produce a significant incentive for an employee to stick around for the long haul, and ultimately becoming the future owner of the company.


Now you have some thoughts to consider if a valuable employee leaves your company, and something you can consider that might prevent it from ever happening in the first place.

You now have a choice of clicking on the button in the center of the screen to return to the main menu, or you could just continue to the next slide to review the next topic.

# I'm A Sole Proprietor… What Happens To My Spouse's Retirement If I Die Unexpectedly?

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Many businesses are operated as Sole Proprietorships.
In this case, if the business owner is able to continue working, the business has the opportunity to survive and thrive.
If the business owner's spouse dies unexpectedly, the business owner can keep the business going.

But what are the financial consequences to the business owner's <u>spouse</u> if the <u>business owner</u> dies unexpectedly?

The outcome could be devastating to the surviving spouse.
Let's talk about that a little bit.

## If I'm A Sole Proprietor, What Happens To My Spouse's Retirement If I Die Unexpectedly?

### What You ***<u>Want to Happen</u>***:

- Sole Proprietors tend to pour their heart-and-soul into their business
- Their business becomes one of their most significant assets
- Hopefully, through the combination of what they can set aside for retirement, and what they can sell the business for, they'll have enough funds for retirement

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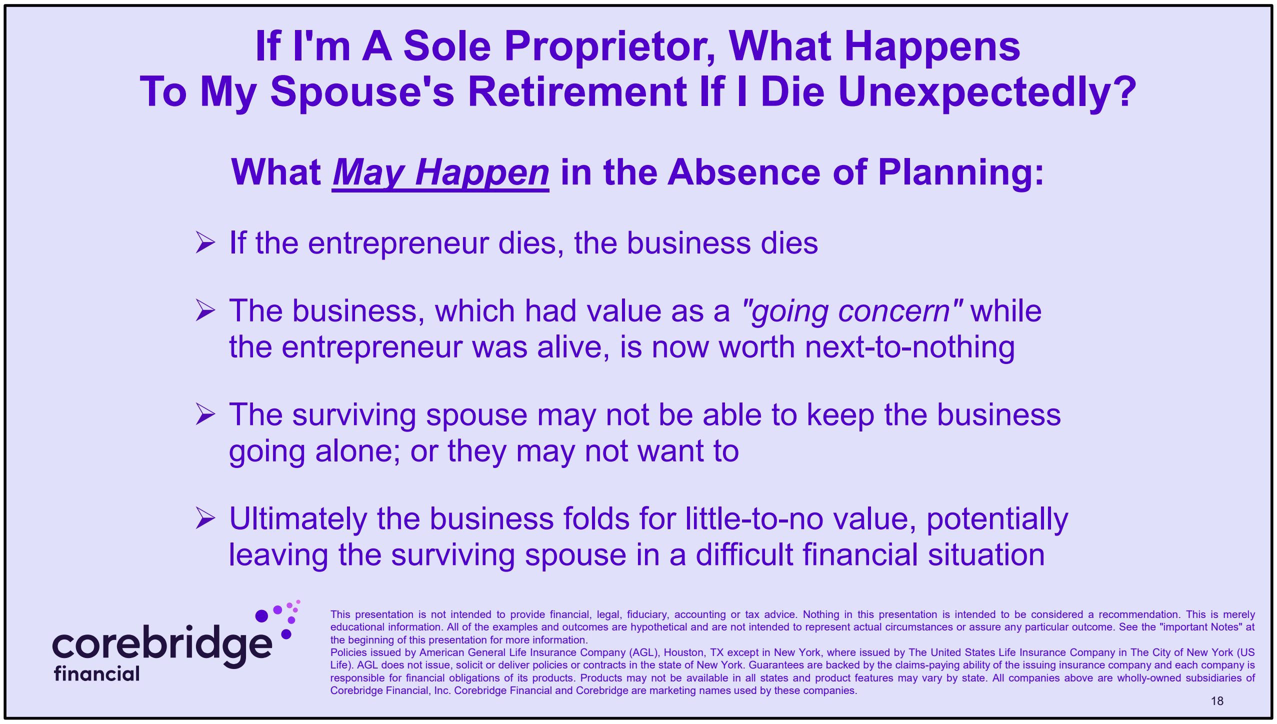
Once again, let's begin with the first of our three considerations: ***What would you <u>want to happen</u>*** to your spouse's retirement if you, the sole proprietor of your business, died unexpectedly.

You've poured your heart-and-soul into your business.
In the process, you've built a franchise that has value, and it generates profits and cash flow that support you and your family in your personal life.

It's not uncommon for entrepreneurs to put everything they have into their business and, as such, their business becomes one of their most significant assets.

The ultimate hope for the entrepreneur is that someday they'll be able to sell the business and retire… that the combination of whatever money they've set aside for retirement, combined with what they can sell the business for, they'll have enough funds for retirement.

This is how it's supposed to work… but this isn't the way it always works.




Because a sole proprietor is typically consumed with the day-to-day activities of running their business, there's no time to think about what might happen if the entrepreneur dies unexpectedly.

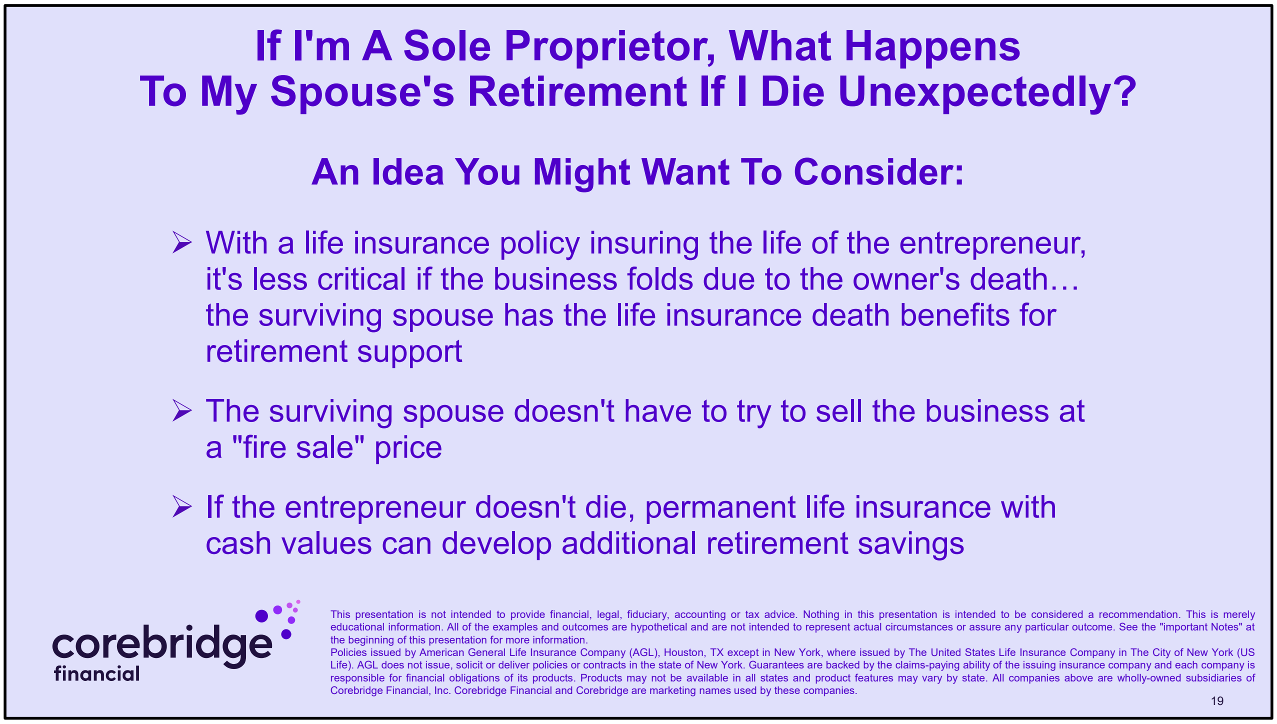
Unfortunately, in many cases, if the entrepreneur dies… the business dies.
The entrepreneur was the key to the business's survival.
Without the entrepreneur, nobody has the skill to keep it going.

Sometimes the surviving spouse feels like… if they don't keep the business running, it may not have any value to anyone else.
However, if the business owner's spouse lacks expertise in the business, which is often the case, the surviving spouse may not be able to keep the business going all by themselves… and they may not even ***want to try***.

Consequently, the business… which had value as a "*going concern*" while the entrepreneur was alive, may now be worth next-to-nothing.

As a result, the business folds for little-to-no value, potentially leaving the surviving spouse in a difficult financial situation.
The vast majority of the surviving spouse's net worth was tied-up in a business that's difficult, if not impossible, to sell.
And even if it can be sold, the value is dramatically diminished.

This certainly isn't the way anybody wants this story to play-out, but in the absence of planning, this is often the unfortunate result.




But that doesn't suggest that all hope is lost.
Is there something a business owner could do, in advance, to help alleviate this concern.
If they could, they'd probably sleep better at night.
And if the solution was in-place and the business owner died unexpectedly, the surviving spouse just might be okay, financially.

I'm talking about <u>life insurance</u>.
With a life insurance policy in-place… a policy insuring the life of the entrepreneur… it's less critical <u>financially</u> if the business folds due to the business owner's death.
Why?
Because the surviving spouse would have the life insurance death benefits to provide additional financial protection that can help provide retirement support.

Because of the life insurance death benefits, the surviving spouse <u>doesn't have to try to sell the business</u>, only to get a "*fire sale price*."
The surviving spouse can simply close the business, and the life insurance death benefits will become a substitute for a business sale.

So the life insurance policy can provide financial support to the surviving spouse if the business owner dies unexpectedly…
But what if the business owner ***doesn't die unexpectedly?***

If the entrepreneur had chosen a permanent life insurance policy that had the potential to build cash values, those policy cash values could be accessed by the business owner to help provide additional financial resources during retirement.

There are many ways to structure the life insurance policy in situations like this, and this is when the advice of planning professionals can be really valuable.


Hopefully that provides some food for thought for sole proprietors that want to be prepared for the unexpected.

You now have a choice of clicking on the button in the center of the screen to return to the main menu, or you could just continue to the next slide to review the next topic.

# I Have Business Partners… What Happens If I Die Unexpectedly?

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In this section we'll begin discussing businesses where there's more-than-one partner or owner.

Here we'll talk about what happens to my business partners **<u>if I die unexpectedly.</u>**

Are my partners prepared to deal with the consequences?
And what are the consequences to my family?

## If I Have Business Partners, What Happens If I Die Unexpectedly?

### What You ***Want to Happen***:

- I want my family to get money in exchange for my business ownership
- I don't want my family to argue with the surviving owners over "how much money" that should be
- I want my colleagues to be able to continue running the business with minimal interference and disruption

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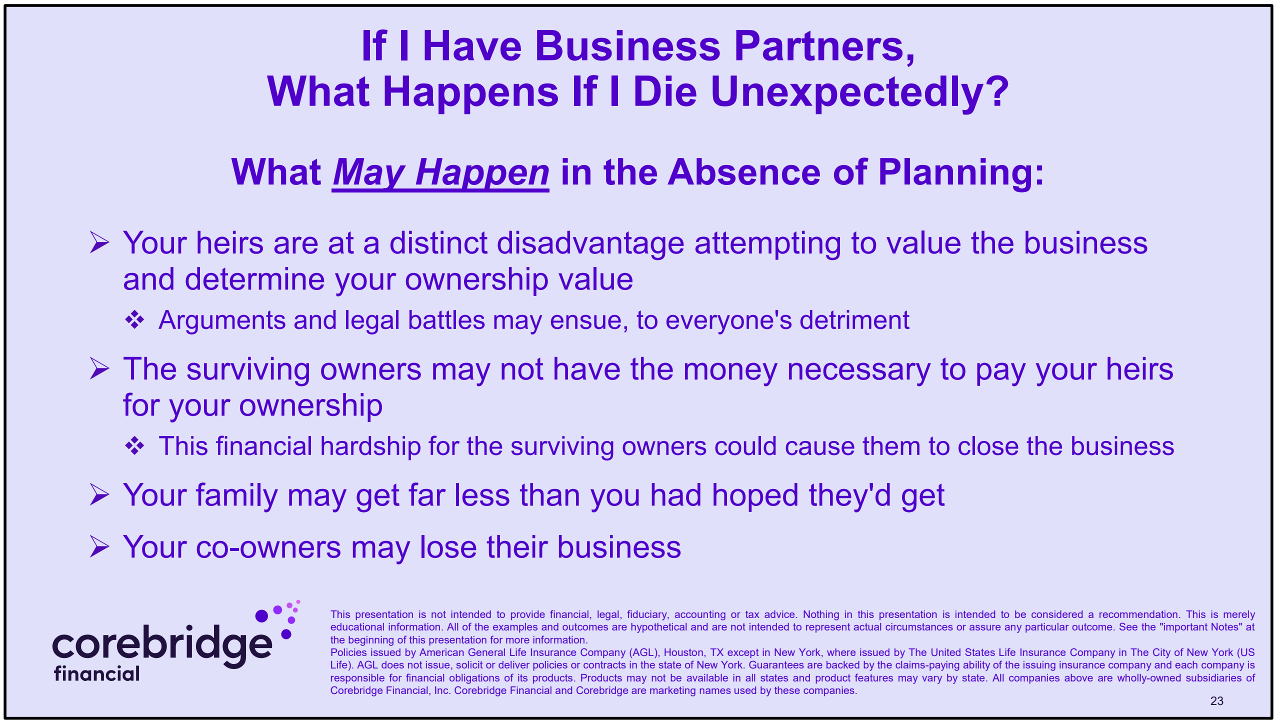
Let's begin with our first of three components: What would I ***want to happen?***

Naturally, part-owners of a business and that die unexpectedly aren't going to be working at the company any longer.
And we can't assume that there are family members that are capable-of, or even want-to, step into the deceased owner's shoes and continue working in the business.
In many cases, the deceased owner would probably want to convert their business ownership into cash… they would probably want their surviving spouse and family to receive money in exchange for their business ownership.

The deceased owner was also probably hoping that the surviving family members would be able to be "bought-out" at a fair price.
It's unlikely that they wanted their family to argue with the surviving business owners about what the business is actually worth, and what that "fair price" should be.

In addition, the deceased owner was probably hoping that the surviving colleagues would be able to take-over the business and continue running it with minimal interference and disruption.




In reality, without plans in place, **what might happen**?

First of all, the surviving spouse and family may be at a distinct disadvantage at the bargaining table.
Unless the surviving spouse and family have some level of knowledge and expertise about the business, they'll be ill-equipped to evaluate what the deceased owner's share is worth, and arguments about the value could arise between family members, and between family members and the remaining business partners.
If they can't come to an agreement about the value, these negotiations could drag-on for a long time, and could even end-up being decided in a courtroom… at significant expense to everyone.

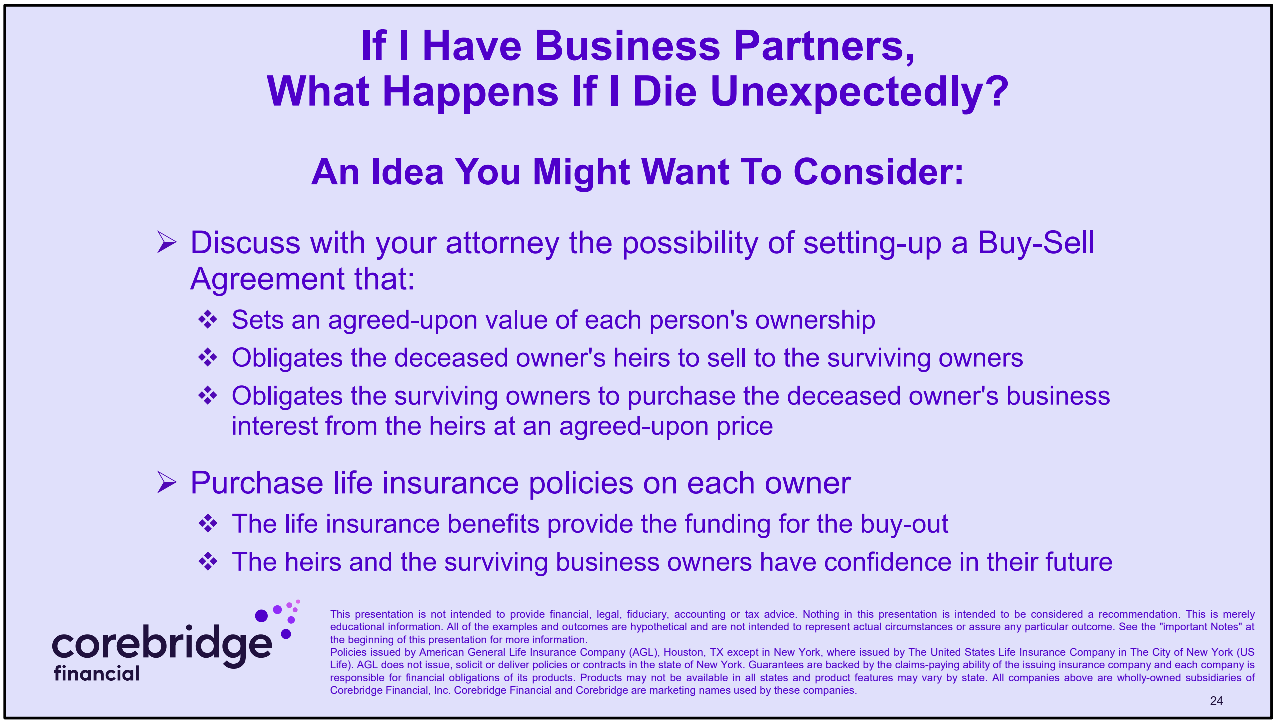
And even if they **can agree** on the value of the business and a "fair price" for the buyout, the surviving owners may not have the money necessary to pay the heirs to buy-out the deceased partner's portion of the business.

If the family of the deceased owner insists that the surviving owners "cough-up the money," it could produce a financial hardship for the surviving owners that may cause them to "throw-in-the-towel" and give up, resulting in the business closing.

If all of that happens, the value of the business is likely to plummet, and the family and surviving owners may get nothing more than liquidation value for each of their ownership shares of the business, which is likely to be far less than they had hoped to get.

And lastly, this lack of planning could leave the surviving business partners without a business, having lost money, and in a position where they need to find new jobs and start over again.

Clearly this outcome would leave a bad taste in everyone's mouth.




But we shouldn't lose all hope because a bit of planning-in-advance could eradicate all of these issues and help this story end in a way that they can all "*live happily ever after*," as the fairy tale goes.

So what could the owners consider today that could head-off these potential problems of tomorrow?

They can begin by having a discussion with the business's attorney about the possibility of setting-up a Buy-Sell Agreement that:

➢ Sets an agreed-upon value of each person's ownership, in advance;

➢ Obligates the deceased owner's heirs **to sell** to the surviving owners, at the agreed-upon price; and…

➢ Obligates the surviving owners **to purchase** the deceased owner's business interest from the heirs at the agreed-upon price.

Once all of that is done, each of the owners may be wondering:
"***If any one of us dies and the remaining owners need to buy-them-out, where will the buy-out money come from?"***

One possible approach is to purchase a life insurance policy on each owner.

- The life insurance policy's death benefits provide the funding the surviving owners need to consummate the buy-out;
- The surviving owners will get an agreed-upon fair price for the decedent's share of the business;
- The surviving owners will own 100% of the business and can keep moving forward; and…
- The heirs and surviving business owners can all have more confidence in how the future will turn-out if any one of them dies unexpectedly

Wouldn't that be a great outcome in the event of such an adversity?

Doing this kind of preparation isn't very difficult.
It just takes some dedication on behalf of the business owners, their attorney, and the financial professional that can help them structure the buy-sell agreement and the life insurance policy to help fund the buy-sell appropriately.

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So there's some information to consider if a business owner has a co-owner business partners that dies unexpectedly.

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# I Have Business Partners… What Happens If One Of Them Dies Unexpectedly?





We've talked about what happens where a business owner has multiple co-owner partners, and the business owner dies.
But what if you have the same ownership situation and one of the co-owner partners dies?

Let's evaluate that situation, and review what would ideally happen, what might happen in the absence of planning, and some ideas to consider.

## If I Have Business Partners, What Happens If One Of Them Dies Unexpectedly?

### What You ***Want to Happen***:

- The remaining owners can "buy-out" the deceased owner's interest and continue to run the business with minimal disruption
- The surviving spouse and their family can receive immediate payment to purchase the decedent's business interest, without bickering with succeeding owners
- Financially, everyone gets what they want

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First let's look at what would ideally happen if a co-owner business partner died unexpectedly.

Ideally the remaining owners can "buy-out" the deceased owner's ownership interest in the company, enabling the surviving partners to continue running the business with minimal disruption.

Not only is this good for the remaining business partners, but a smooth transition is also key to maintaining relationships with key accounts and customers… they can see that the company is going to continue to run smoothly, and they have confidence that they can continue doing business with the company.

Secondly, it would facilitate the smooth transition if the surviving spouse and their family can receive immediate payment that purchases the deceased partner's business interest, without any bickering between the family and the succeeding business owners.
A quick and fair settlement will enable everyone to walk away with what they wanted.

Financially, the primary goal is to make sure everyone gets what they want… the family gets paid for the deceased partner's interest in the business, and the surviving partners can continue moving forward.

## If I Have Business Partners, What Happens If One Of Them Dies Unexpectedly?

### What *May Happen* in the Absence of Planning:

- The surviving partners don't have enough money to buy-out the deceased owner's family
- The deceased owner's family doesn’t want to participate in running the business, but they feel they have no choice
- The deceased owner's family has *"different interests"* from the surviving owner's interests, which can cause significant conflict among owners regarding the future of the business
  - Do you ***really*** want to work with the deceased owner's spouse or kids?
  - In a family-owned business, this can really create some fireworks!
- Competent owners may want to leave, but can't… the struggling business can't buy them out

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Unfortunately, many businesses don't plan for unforeseen events *(like the death of one of the partners)*, and the results of the untimely and unexpected death of a partner can create some significant adverse consequences.

For example, without a plan, the surviving partners typically don't have enough money "just laying around" that they can use to buy-out the deceased owner's ownership interest from the deceased owner's family.

In the event that the deceased owner's family cannot be bought-out, they may feel it necessary to have someone from the family participate in running the business. They may not have the experience or the expertise, but they may feel that they have no choice… that working in the business is the only way to continue to get paid for the deceased owner's ownership interest.

And consider what could happen if one of the deceased owner's family decided to work for the company.
The deceased owner's family may have different interests than the surviving owner's interests.

The deceased partner's family may just want to get their money and get out, and not really care about the long-term future of the company, while the surviving co-owners want the company to continue indefinitely.
These differences can cause a lot of conflict among owners regarding the future direction of the business.

And think about it… if one of your co-owners died unexpectedly, do you ***really*** want to work with the deceased owner's spouse or kids?
If you had to choose a new business partner, ***are they the ones you'd choose?***
In many cases, they're not.

And consider this: If the company is not able to buy-out the deceased-owner's interest from their family, and a family member becomes a new partner, or the business is forced into a compromising financial situation because they're forced to buy-out the deceased owner's family, other co-owners may want to leave and take their talents somewhere else.
But if they leave, and the struggling business <u>can't buy **them** out</u>, they either can't leave, or they'll have to leave significant value behind.

As you can see, in the absence of a plan, the consequences can be tragic… for everyone involved.

## If I Have Business Partners, What Happens If One Of Them Dies Unexpectedly?

### An Idea You Might Want To Consider:

- Discuss with your attorney the possibility of setting-up a Buy-Sell Agreement that:
  - ❖ Sets an agreed-upon value of each person's ownership
  - ❖ Obligates the deceased owner's heirs to sell to the surviving owners
  - ❖ Obligates the surviving owners to purchase the deceased owner's business interest from the heirs at an agreed-upon price
- Purchase life insurance policies on each owner
  - ❖ The life insurance benefits provide the funding for the buy-out
  - ❖ The heirs and the surviving business owners have confidence in their future

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With consequences as big as these, one might wonder if it's possible to do some planning in-advance to reduce or eliminate these potential problems.

One idea would be to contact an attorney and discuss the possibility of setting-up a Buy-Sell Agreement that:

❖Sets an agreed-upon value of each owner's ownership interest;

❖Obligates the deceased owner's heirs to sell to the surviving owners, at that agreed-upon price; and…

❖Obligates the surviving owners to purchase the deceased owner's business interest from the heirs at that agreed-upon price.

But, in order to make this all work, the surviving owners need to have the money available to pay for the buy-out.
Where does this money come from?

A life insurance policy could be purchased for each owner, with a death benefit equal to the agreed-upon value of each owner's ownership share.
If any owner dies, the life insurance death benefits provide the money that the surviving owners need so that they can purchase the deceased owner's ownership interest from the deceased owner's family.

As a result, each business owner's heirs… and the surviving business owners… can all have more confidence in their future in the event the unexpected happens.

**Click Here To Return To The Main Menu**

***Or advance to the next slide to review the next topic***

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Now you have a few things to think about regarding whether a co-owner business-partner dies unexpectedly.

You now have a choice of clicking on the button in the center of the screen to return to the main menu, or you could just continue to the next slide to review the next topic.


It's bound to happen in any business where there's an age disparity between the owners…
the older co-owner partners will retire before the younger ones.

In this section we'll think about how **success**… the retirement of one business partner… could also become a **problem** for the remaining partners.

It's not uncommon for the younger co-owner partners to worry about what happens if one of the older partners retires, because the younger partner doesn't know how to buy-out the older partner… where's the money going to come from?

Meanwhile the older co-owner partners worry about what happens when they retire because they're concerned about funding their own retirement, and a lot of that funding is expected to come from the business buying-out their ownership in exchange for cash. These older partners can become concerned that the younger partners won't be able to afford to buy them out while keeping the business prosperous.

## If I Have Business Partners, What Happens If One Of Them Retires?

**What You *Want to Happen*:**

- The retiring owner gives-up ownership in exchange for retirement cash flow
- Funds are available to buy the retiring owner's ownership interest
- The younger owners ultimately own the business and control its destiny

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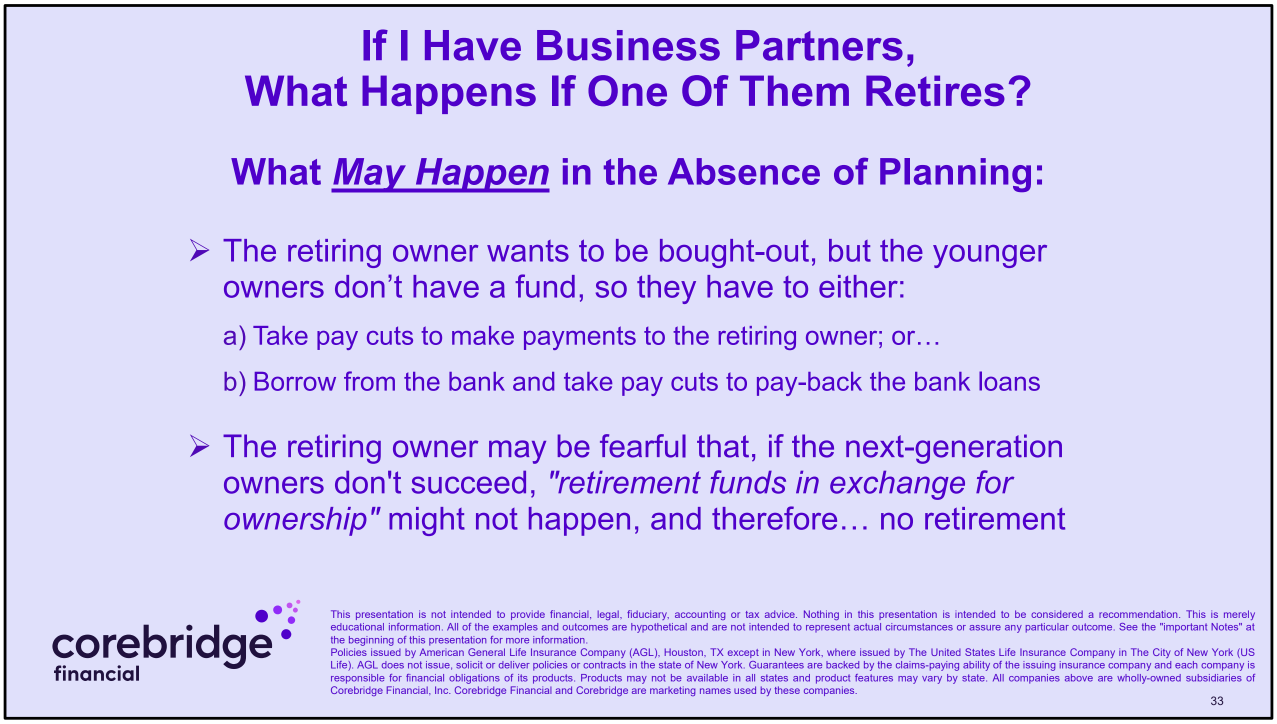
So think about it for a minute.
What would be the ideal outcome when an older co-owner partner retires?

Ideally the retiring owner would give-up ownership in the company in exchange for cash.
It's rare that this is done in a single-lump-sum-payment.
Instead, the company tends to make the payments from cash flow.
They provide annual retirement cash flow to the retired partner, a little at a time, in exchange for the retired partner's ownership share.

Ideally funds would be available to purchase the retiring owner's ownership interest.

Then, after the buy-out is complete, the younger owners ultimately own 100% of the business and they can control its destiny.



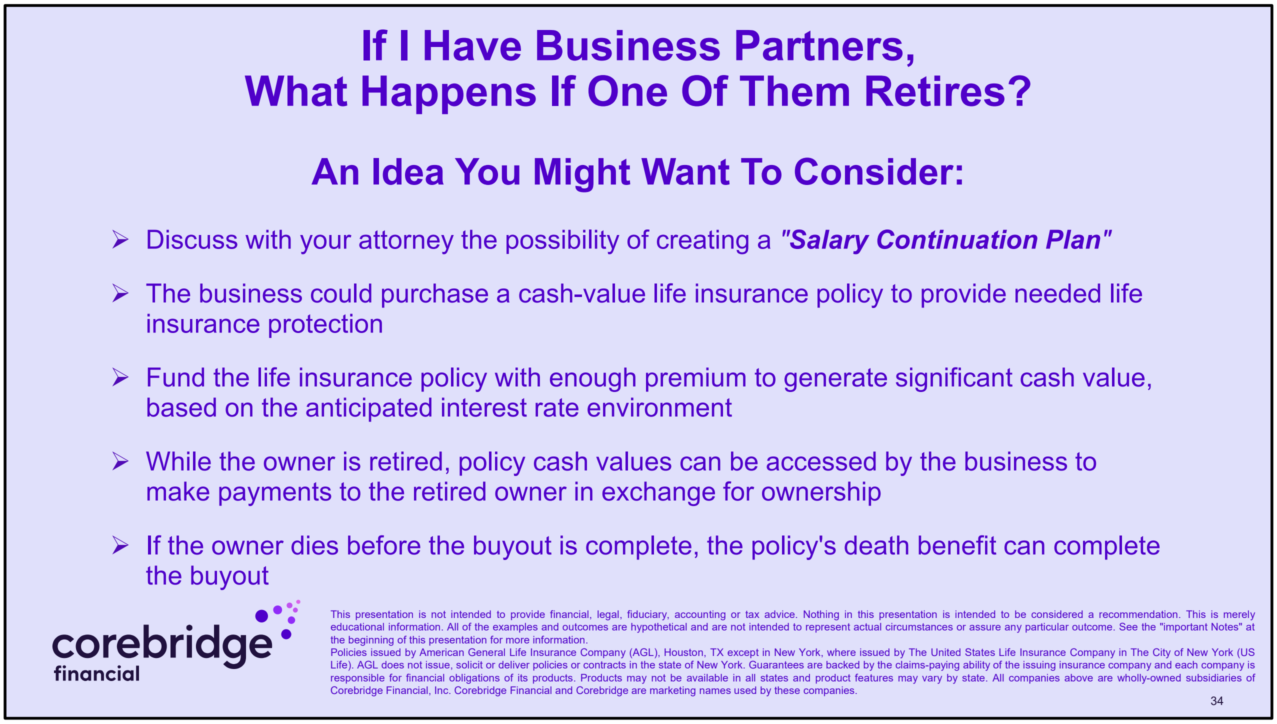

Unfortunately many business owners fail to plan in advance.
And I'm sure you've heard the old saying:
***"Failing to Plan is Planning to Fail."***

In the absence of a plan to handle a retiring co-owner partner, what might happen?

First of all, the retiring owner wants to be bought-out, but the younger owners don't have a fund saved-up, so they either need to:

a) Take pay cuts themselves to free-up the payments that need to be made to the retiring owner; or…
b) They have to borrow from the bank, and take pay cuts to pay back the bank loans.

The retiring owner may be afraid that, if the next generation owners don't have the ability to make the business succeed, then the concept of ***"retirement funds in exchange for ownership"*** might not be able to happen. And if ***that*** doesn't happen, it could mean "no retirement" for the retired co-owner partner.




Is there anything that could be done, in advance of their retirement, to make their retirement and their buy-out more likely?

The process probably begins by scheduling a discussion with an attorney about creating a **Salary Continuation Plan**.

How does that generally work?

The business could purchase a cash-value life insurance policy to provide needed life insurance protection.

The business could fund the life insurance policy with enough premium to generate significant cash value by the time the elder co-owner partner is planning to retire *(based on the anticipated interest rate environment)*.

Then, while the owner is retired, policy cash values can be accessed by the business, and used to make payments to the retired owner in exchange for the retired owner's ownership in the company.

If the owner dies before the buy-out is complete, the policy's death benefit… payable to the company… could be used as a single payment to complete the rest of the buy-out, providing the retired owner's spouse and family with the value they were expecting, while giving full ownership of the company to the younger partners.

You can see that a little planning can go a long way… but the planning needs to be done in advance.
The longer you wait, the more difficult the problem is to solve.


So now you have some thoughts to consider if you have an age disparity between owners and want to prepare for the older owner's retirement… and the buy-out of their ownership shares.

And you now have a choice of clicking on the button in the center of the screen to return to the main menu, or you could just continue to the next slide to wrap-up the presentation.

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As we wrap-up today's session, here are some important notes about this presentation.

It's important that you familiarize yourself with this important information.


Thanks for joining today's discussion.

Hopefully it was a thought-provoking journey that helps you think about some of the keys to your business success… especially in the face of unforeseen adversity.

A stronger, more financially secure business is one that's well-positioned to survive, and thrive.

If you want to explore any of these concepts in more detail, it's strongly recommended that you speak with appropriate financial and legal people that can help guide you every step of the way.

Thanks again for joining me, and have a great day.

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# What Keeps Business Owners Awake At Night…

# And How Can You Help Them Get Some Sleep?

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