



# BUSINESS PROTECTION - A CLIENTS GUIDE

## LIFE ADVISORY SERVICES

### HOW WOULD YOUR BUSINESS SURVIVE IF:

- ❖ One of your key employees or shareholders became seriously ill or died suddenly?
- ❖ Your business partner died?
  - What would happen to their share of the business?
  - How would you feel about a shareholder's family joining your business if he / she died suddenly?
- ❖ You died?
  - What would happen to your share of the business?
  - Are your spouse or children in a position to take your place in the business?
  - How will your family survive financially?

If any of the above questions are a cause for concern then maybe you need business protection

#### IT WON'T HAPPEN TO OUR COMPANY!

As a business owner, you understand the importance of minimising any risks to your business. You wouldn't think twice about insuring your business against loss from fire or theft. However, there are many circumstances that can have damaging and lasting consequences for your business and your family's financial security. Many of us believe that it simply 'won't happen to us'. However the odds of one partner in a 2 or 3 person business dying or becoming seriously ill before retirement are probably a lot higher than you might think.

#### Odds of at least one dying before 65

Age	One man	Two men	Three men
40	12%	22%	32%
45	11%	21%	30%
50	10%	19%	27%
55	8%	16%	22%

(Source: CSO life tables (Ireland) 2010 - 2012)

#### Odds of at least one dying or becoming seriously ill before 65

Age	One man	Two men	Three men
40	24%	42%	55%
45	22%	39%	53%
50	20%	36%	48%
55	16%	30%	41%

(Source: CSO life tables (Ireland) 2010 – 2012. Critical illness tables (IC94) first published by Society of Actuaries Ireland 1994)

#### WHAT'S THE SOLUTION?

Many problems can arise for a business when a partner or key employee is out of the picture due to death or serious illness. Some of these problems could be alleviated with adequate financial planning to provide the funds to allow options and choices to be made by all parties. Arranging adequate business protection insurance is the only way to ensure that the necessary funds will end up in the right hands at the right time, in a cost efficient manner, to ensure the continuity and the survival of the business.

## KEYPERSON COVER

This allows a limited company to plan for the potential financial loss that it would suffer on the death or serious illness of a key employee. For example, will any loans to the business have to be repaid on the death of a specific individual?

## PERSONAL SHAREHOLDER PROTECTION

This allows the shareholders of a limited company to provide funds to purchase the share of a deceased shareholder from their personal representatives. The life assurance contracts are taken out by the shareholders personally. This ensures the surviving shareholders retain control of their business.

## CORPORATE SHAREHOLDER PROTECTION

This is an arrangement whereby the company agrees with each shareholder to buy back his / her shares from his / her personal representatives on death, with the insurance cost being borne by the company. This ensures security for the company, and peace of mind for the family / dependants of the deceased.

## GIFT OR INHERITANCE TAX PLANNING

This allows you to plan in advance for any tax liability which could arise on the transfer of a business, thus ensuring the business won't have to be sold off to pay the tax debts.

Your advisor can help you, and your business, to plan for the future. Whether it is succession planning, providing financial security for dependants, or ensuring the survival and continuity of your business in the event of the death of a shareholder or key employee, we can offer solutions to meet your needs.

## SUMMARY

For any person managing their own business, either solely or with business partners, there are important questions that need to be considered as part of normal business planning

- Will I be able to pass my business on to my children intact without it being ravaged by tax?
- How will my family survive financially in the event of my sudden death?
- How would the business survive in the event of my sudden death or the death of a partner?
- What would happen to my income in the event of a long-term absence from work due to illness?

**What would you like to happen?**

**What plans have you made to ensure your hopes are likely to be realised?**

**Each company's individual circumstances will determine which business protection option meets their needs, but whichever route you chose, all it's really about is putting life cover in place to ensure that the necessary funds will end up in the right hands at the right time, in both a cost efficient and a tax efficient manner.**

**We advise that you seek professional tax and legal advice as the information given is a guideline only and does not take into account your particular circumstances.**

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