

Business Planning



BUSINESS CONTINUATION PLANNING

What will happen to your business, and your family, if something happens to you?

You may have wondered this yourself. After all, you've built your business into a profitable, secure operation that provides for your family's financial security.

But that security can disappear when you die or if you become disabled. By making decisions about your business and planning now, you can leave your family a legacy, not a burden.

Your Plan

Your first task is to determine the specific plan to ensure continued security for your family. Plans include:

- **Retain** the business for your family, assuming there is someone qualified to run your business profitably.
- **Sell** your business to a co-owner or associate who would be willing and able to assume the risk and have the finances available to purchase your interest.
- **Liquidate** your business by selling it off piece by piece to the highest bidder. With no prior planning, this may be your family's only choice.

What Do You Want Your Plan To Do?	
IF INCORPORATED	IF NOT INCORPORATED
<ul style="list-style-type: none"> ■ Retain for family ■ Business redeems stock ■ Shareholder or key person buys stock ■ Liquidate 	<ul style="list-style-type: none"> ■ Retain for family ■ Partner/associate purchase ■ Liquidate

Business Continuation

Funding Your Plan

Regardless of the plan you select, money will be needed to carry it out. Options include:

- **Pay-as-you-go** fails to provide immediate cash for estate liquidity and may put a financial drain on the business during the installment-paying period.
- **Sinking-fund** accumulates money to finance the sale of your business. However, death may occur before sufficient funds have been accumulated and taxes may restrict the ability to accumulate enough money.
- **Borrowing** provides quick access to cash, but forces the survivors to pay off the loan out of business income, thus hurting profits.
- **Life insurance** can help fund your business continuation plan by providing the exact amount needed when it's needed most.

The Value of Life Insurance

Life insurance provides flexibility and the cash to:

- Allow a family member to **retain** the business and equalize the value to non-active family members. It can also provide a cash cushion during the transition period.
- Assure creditors and employees that your business will continue after your death.
- Provide the dollars needed to **purchase** your business interest or buy out another owner's interest if the deceased's interest is to be **sold**.
- Offset the loss in value if the business interest is **liquidated** in a forced sale.

Until your business continuation plan is activated, you and your business can benefit from life insurance cash values for emergencies, business opportunities or supplemental retirement funding.

Life insurance underwritten by United of Omaha Life Insurance Company, Omaha, NE. United of Omaha is not licensed in New York. In New York, life insurance is underwritten by Companion Life Insurance Company, Hauppauge, NY.

Start Planning Today

Your family's financial security depends on decisions you make now. Start your business continuation planning today.

To develop a life insurance proposal you'll need the following information.

Estimated business value: * _____

Name: _____ Age: _____

Risk class: _____ and % Ownership: _____

Name: _____ Age: _____

Risk class: _____ and % Ownership: _____

Name: _____ Age: _____

Risk class: _____ and % Ownership: _____

Type of business: ___ sole proprietor ___ partnership
___ S Corp ___ C Corp ___ LLC ___ Professional Corporation

As part of the Pension Protection Act of 2006, Section 101(j) of the Internal Revenue Code (IRC) became effective on August 18, 2006. This section provides that when an applicable policyholder (employer or related party) is the owner and beneficiary of a life insurance policy insuring the life of an employee, the death benefit may be taxable. This tax consequence can be avoided if the insured is a member of a class exempted from this treatment by IRC Section 101(j) and notice and consent requirements have been satisfied.

It is the employer's responsibility to obtain appropriate tax and legal advice regarding the tax and legal consequences of death benefits paid for employer owned life insurance.

*There are valuation guidelines established by the IRS and there are qualified professionals who can provide a reasonable value for your business. In order to get started, just give us your best guess estimate.



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