

Every Business Owner Has One!

What is it that every business owner has? It's not a sports car or a flat screen TV. . . It's not a pet dog –

Every Business Owner has a Business Continuation Plan

If you don't have a formalized plan, the chances are the "continuation" part is in jeopardy.



Without a written, funded agreement, your business will most likely not survive. Like falling dominoes, family and employee discord created by a lack of perceived parity leads to employee departures from fear of uncertainty. This leads to customer dissatisfaction from inadequate service which leads to loss of revenue, and ultimately, the potential for the business's demise.

Carol & Milly's Business

Carol and Milly are business partners. Carol's daughter, who is in high school, is working with them part time. Her son is twelve. Milly's only child is six. Milly's husband has a job that keeps him busy, but he still helps out on the weekends if necessary. Carol and her husband are separated. Carol and Milly *see* themselves building a successful business. They *want* to leave the business to their children. They do *hope* to retire someday. They see, they want, they hope, but they have done nothing to put a plan in place.

As long as they *do nothing*, the plan they have has no relationship to the plan they envision. **They have given up all control.** This plan will likely default to a battle between the two families. Neither wants to be in business with the other partner's spouse. The estranged husband could come back into the picture if Carol should die before Milly. The children may decide they don't want the business, they want the cash. The future our business owners dream may become a nightmare.

Your Business

Do you, like Carol and Milly, have a vision? Maybe your situation isn't quite as complicated. Perhaps you can identify with one or two of the factors that they are facing. However, like Carol and Milly, with proper planning, the plan you envision can come to fruition. **You can maintain control.**

A properly designed business continuation plan allows you to control the following:

- *Establish the Value of the Business*
- *Provide a Ready Buyer for the Business*
- *Name Your Management Successor(s)*
- *Determine How the Value of the Business is distributed to Your Heirs*
- *Ensure the Key Employees' Commitment to the Successor Management*
- *Name a Trustee to see that Your Instructions are Carried Out*

Your plan must include action. There must be a written agreement, and the plan must be funded.

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Funding the Plan can be accomplished in several ways. A *sinking fund* can be established to save the necessary funds. This takes time and discipline. Maybe a *loan* would provide the funds. A loan can create stress on the business cash flow at a time when it's least able to withstand it. Perhaps the money can come from *after-tax income*. . . a sort of pay-as-you-go plan for the successors. Or the funds can come from *life insurance*, an income tax-free source of liquidity.* Take a look at the chart for an illustration of the most cost-efficient source of cash.

Life Insurance may be the most efficient way to fund a business buyout. In addition, the cash values offer some **asset protection** from creditors in most states. The cash values may be used on a **tax-favorable** basis to **provide cash flow**, and the policy can serve as **collateral for loans** if needed. You can **optimize your plan with life insurance**.

Your Security Mutual agent has the information you need to put your plan in action.

COST SUMMARY		
Assumed Value of Business Interest: \$1,000,000		
Summary at Life Expectancy, Age 85		
Payout Source	Carol	Milly
	Female, Preferred Non-Smoker, Age 42	Female, Preferred Non-Smoker, Age 26
Loan		
Interest Rate	6%	6%
Duration	10 Years	10 Years
Total Cost	\$679,340	\$679,340
Installment Sale		
Interest Rate	4%	4%
Duration	10 Years	10 Years
Total Cost	\$616,450	\$616,450
Cash		
Lump Sum	\$500,000	\$500,000
Life Insurance**		
Annual Premiums paid to life expectancy, Age 85	\$3,715	\$2,185
Total Cost for Life Insurance	\$159,745	\$128,915

*If the policy is structured properly (not recognized as a modified endowment contract), the cash value can be accessed tax-free through a combination of withdrawals and loans. Loans and withdrawals reduce the available death benefit and cash value.

**Based on Security Mutual Life Customized FlexULSM Universal Life Insurance Policy, Policy Form Nos. 2117-NY; ICC19-2117; Series 2117. See the Policy Illustration for Guaranteed Values.

Product availability and features may vary by state. Consult your agent for state availability.

The example shown above is for illustrative purposes only. In preparing the example, we did not take into account the investment objectives, financial situation or particular needs of a specific person. The depicted strategy may not be suitable or appropriate to your individual circumstances. Accordingly, it does not constitute a personal recommendation to you.

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