

DON'T LEAVE BUSINESS SUCCESSION TO CHANGE

Business Succession Planning with Life Insurance

DOES YOUR SMALL BUSINESS HAVE A SUCCESSION PLAN IN PLACE?



58% of Small Business Owners do not have a succession plan.¹

THE MORE OWNERS YOU HAVE, THE GREATER THE CHANCE THAT AT LEAST **ONE** OWNER WILL LEAVE THE BUSINESS UNEXPECTEDLY.



24%

12%



35%

27%



45%

39%



How will your business deal with you or your partner's unexpected disability or death?

Odds of a Business Owner Death^{2,3}

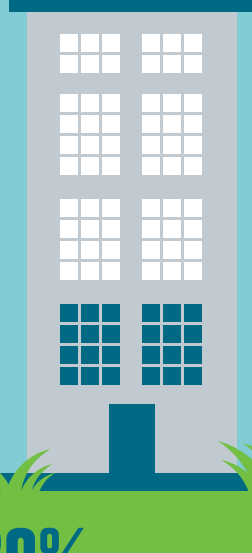
Odds of a Business Owner Disability^{4,5}

Without a succession plan, the loss of a partner can leave your business at increased risk of closure or takeover.

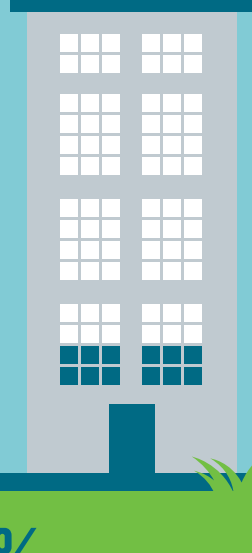


IS YOUR FAMILY BUSINESS PREPARED TO KEEP THE LIGHTS ON AFTER YOU ARE GONE?

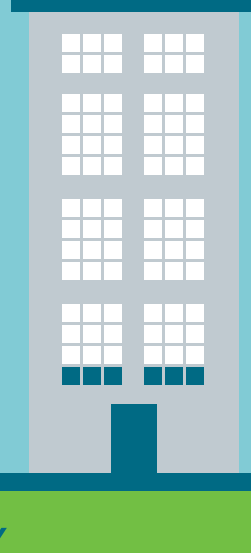
THERE ARE 5.5 MILLION FAMILY-OWNED BUSINESSES IN THE U.S.⁶



~30% of family-owned businesses will survive to the 2nd generation.⁷



12% of family-owned businesses will survive to the 3rd generation.⁷



3% of family-owned businesses will survive to the 4th generation and beyond.⁷

ONLY 23% OF FAMILY-OWNED BUSINESSES HAVE A ROBUST, DOCUMENTED BUSINESS SUCCESSION PLAN.⁸



A properly designed and funded business succession plan can help your business beat the odds.

ARE YOU READY TO ANSWER THESE FIVE BUSINESS SUCCESSION QUESTIONS?



To **whom** will you transition the business?

e.g., co-owner, child, key person



When will you transition the business?

e.g., death, disability, retirement



How will you transition the business?

e.g., will, gift, buy-sell agreement



For how **much** will you sell the business? (if buy-sell agreement)

e.g., specific amount, multiple of earnings, third-party appraised value



How will the buyer **pay** for the business?

e.g., personal funds, installment payments, life insurance

FOUR TIPS FOR BUSINESS SUCCESSION



Identify and address potential sources of acrimony that may be caused by your plan.



Clearly **communicate** your plan to all impacted parties.



Limit emotions and separate the personal from business.



Get the **"buy-in"** of key parties before you implement your plan.

CASH VALUE LIFE INSURANCE CAN HELP PROTECT YOUR BUSINESS

Cash value life insurance, when properly funded, can help fund your business succession plan so that your business survives the exit of an owner by providing a lump sum payable at the insured's death and providing one or more of the following scenarios:



Funding a buy-sell agreement



Paying estate taxes and business debt obligations



Protecting a surviving spouse from the financial impact of the insured's death.



Providing cash to help the business survive decreased sales due to loss of partner.



Treating heirs equitably to minimize family acrimony

Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges. Cash value life insurance generally requires additional premium payments after the initial premium. If either no premiums are paid, or subsequent premiums are insufficient to continue coverage, it is possible that coverage will expire.

Ask your financial professional* if a cash value life insurance policy might be the right tool for your business succession plan.



* In order to sell life insurance products, a financial professional must be a properly licensed and appointed life insurance producer.

1 Daniel B. Kline. Most Small Business Owners Lack a Succession Plan. Aug. 3, 2018. <<https://www.fool.com/careers/2018/08/03/most-small-business-owners-lack-a-succession-plan.aspx>>.

2 "Actuarial Life Table." Office of Social Security. Web. 2016. <<http://www.ssa.gov/oact/STATS/table4c6.html>>.

3 Created by Pacific Life using data provided by Social Security Administration as of May 28, 2019. Assumptions: Business owners are a 40-year old male and two 40-year old females surviving to age 70 who intend to retire at age 65.

4 "Personal Disability Quotient (PDQ) Calculator." What's My PDQ? Council for Disability Awareness. Web. May 16, 2019 <<http://www.whatsmypdq.org/>>.

5 Created by Pacific Life using data provided by Council for Disability Awareness as of May 28, 2019. Assumptions: Business owners are 40-year old male, 6'0" and 175 pounds, and two 40-year old females, 5'5" and 140 pounds, respectively, in average health who work mostly in an office.

6 "Family Firm Facts." Grand Valley State University. Web. Access date: June 11, 2019. <<https://www.gvsu.edu/fcbi/family-firm-facts-5.htm>>.

7 Catherine Schnaubelt. "Transitioning Your Family Business To The Next Generation." August 17, 2018. Forbes. <<https://www.forbes.com/sites/catherineschnaubelt/2018/08/17/transitioning-your-family-business-to-the-next-generation/#52c50fb57421>>.

8 Gregory F Monday. "A Blueprint for Family Business Succession Planning." Jan. 16, 2018. <<https://businesslawtoday.org/2018/01/a-blueprint-for-family-business-succession-planning/>>.

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Not FDIC Insured	No Bank Guarantee	May Lose Value