

A photograph of a man and a woman sitting on a light-colored couch, looking at a laptop screen. The woman is on the left, wearing a light blue denim shirt, and the man is on the right, wearing a plaid shirt. The laptop is open in front of them, and the background is a blurred brick wall.

Estate planning for your business



Hywood Partners

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It's not uncommon for business owners to take short, irregular holidays because they don't have the support to keep their business running without them for a longer break.

Aside from taking time off for leisure, have you considered what would happen if you were *forced* to take six months off work due to a serious illness or injury?

Would the business survive and how would the bills be paid? Or if you were to die, can you be sure that your business partners would give your family a fair deal?

For these reasons, it's important for all business owners to put in place a properly prepared **succession plan**. It's just like a Will for the business, but there is often a wider range of scenarios and considerations involved.

As with a personal Will, what should be included in a good business succession plan can vary from one situation to the next. Here are some key areas that should always be considered:

- **Business structure** – in the event of death or retirement, the ownership and control of the business may need to be transferred to the owner's family or to the surviving business partners. How easily this would occur will often depend on how the

business operates, such as through a trust, or a company, or without a separate entity at all.

- **Succession agreements** – if something happened to one of the business partners, would that partner's spouse or children be capable of taking over the control of that share of the business? If the answer is no, then a succession agreement can assist the remaining business partners to carry on operating the business whilst allowing for adequate compensation for the former partner's family.
- **Managing risk** – just like personal insurance, business insurance can provide a variety of types of protection such as temporarily meeting the normal costs of running the business (business expenses cover) or paying for a short-term replacement manager (eg. trauma or disability cover). A life insurance policy linked to the succession agreement that provides the deceased partner's family with suitable compensation for the transfer of business ownership to the surviving partners can also be a good idea.
- **Powers of Attorney** – many small businesses can't do much without the authority of the key decision-maker, so a Power of Attorney is integral to the succession planning process. It helps the business to physically operate if the owner is incapacitated through illness or injury.

There is a range of professionals who may need to be involved in setting up a succession plan, including your financial adviser, lawyer and accountant. Even if you already have a plan in place, make sure you regularly review the agreements and your insurance policies to keep them up to date and reflecting the current value of the business.

Like a Will, don't leave this to when it's too late.

Work hard. Play hard. Plan hard.

June 2020

Disclaimer:

The information contained in this E-Book is general and factual information only and does not take into account the personal needs, goals and objectives of any person that reads it. We recommend you seek professional financial advice before implementing any financial strategy or financial investment.

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