



What Happens to Your Business When You Die?

As a small-business owner or partner, you may wonder what would happen to your business should anything happen to you. How would your family cope with the loss of income? What about your employees and their families? You may feel you have the answers, but before you take that leap of faith, take a look at these common myths and consider a reality check.

If I die, my spouse can run the business.

Reality check: In many cases, the spouse neither wants to nor is capable of running the company. Small businesses are often dependent on the marketing, technical or managerial skill of the owner. Take that away and the business may fail.

A competitor will buy the business.

Reality check: Possibly, but this may not happen to the advantage of the surviving family. The competition may be either looking to take customers away from the business, purchase equipment and inventory cheaply or buy the business at a low price.

My death or my partner's death will not financially impact the business.

Reality check: Each owner of a small business usually makes a very specific and important contribution to the business or has a special skill that is hard to replace. When one owner dies, the surviving owner may have to scramble to keep the business afloat, find a suitable replacement and keep funds from being wasted in the process. Other issues may arise should surviving family members choose to participate in running the business or seek compensation for their share.

A key employee can run the business.

Reality check: Maybe so, but if the employee is truly running the business, he or she may require a salary commensurate with the added demands of the job. And what happens to the income for the surviving family, not to mention the salary needed to replace the employee's previous position? The funds needed to recoup from such a loss may be more than the business can bear.

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3 Ways Life Insurance Can Protect Your Small Business

Key person insurance is a life insurance policy purchased by the business on the life of a key employee and payable to the business. When a key person dies, insurance can help make up for lost sales or earnings, and cover the cost of finding and training a replacement.

A buy-sell agreement funded with life insurance allows remaining business owners to buy the company interests of a deceased owner at a previously agreed-upon price, which helps guarantee that surviving family members will be fairly and promptly compensated for their share of the business.

Individual life insurance can provide family members with additional money to pay off personal debts, cover ongoing living expenses and fund future needs such as college or retirement.

Independent Agent