

Protection for Small Businesses

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One of the most satisfying moments in a business owner's life is the day their business opens for the first time. They have finally completed all the hard work and endless hours of running through the numbers, setting up supply chains, securing agreements with wholesalers, marketers, payment processors, social media experts, etc. With all of this effort, it's important to protect that hard work.

We all plan for success, but are we prepared for when things go wrong? What happens when there is no planning for unexpected life events? What could happen to a business if the owner gets sick or passes away? What about the family that business is supporting? What will happen to them?

In this article, we discuss the importance of insurance products geared towards business owners during the most difficult and trying times of the business, their family and their own lives...

Key Person Insurance

Key person coverage involves insuring the person who is integral to running the business. Without them the business would suffer a loss of revenue. If they passed, a lump sum would be paid to the company to keep the doors open and cover the cost to train someone to take over the position, or hire a head hunter to find a replacement.

Typically, the "key person" is not the owner; it's the person who understands the market, how much things cost, etc. Take, for example, a person who writes bids for construction companies, who prices out each job. If a company were to lose that person, who would write the bids? How would the company be able to continue delivering the service their clients are expecting? This is why it is really important to have key person insurance.



Business Loan Protection

If a business owner or other key person passes away, you can use a life insurance policy to help pay down any business debt such as a loan, a mortgage, or an operating line of credit. This type of policy would allow for a much smoother business succession plan versus having to shut down the business. Having this policy in place can also prevent the business owner's estate from becoming liable for business debts if the owner passes away or the business is no longer viable without them.

Buy-Sell Agreement

As a small business owner, you need to have a plan in place for the eventual transfer of the business interest to your family member or colleague. This succession plan is typically done through a buy-sell agreement.

Having a buy-sell agreement in place will help you realize the full value of your business and it will also help the business and the remaining owners survive the transition.

You can use a life insurance policy to fund the obligation that results from a buy-sell agreement when a shareholder or partner passes away. While there are numerous possible ways to structure a buyout on death, life insurance funding plays an important role in ensuring the buyout occurs. Here are two significant benefits of using a life insurance policy:

1. The plan will ensure funds are available to purchase the deceased partner's shares back from their spouse or heirs, allowing for business continuity.
2. Funds from the plan will guarantee the deceased partners family will receive fair market value for the business as well as funds to allow them time to grieve and move forward without the stress of finances.

These are just a few of the more important types of protection that all businesses should consider. Every business and business owner is different and has varying needs; having an open and honest discussion is the best way to start.

If you'd like to get started choosing the right insurance to protect your business, call us at 604-419-8888 or email inquiry@gffg.com. For more information on the range of business services available from G&F Financial Group, please see our [website](#).