

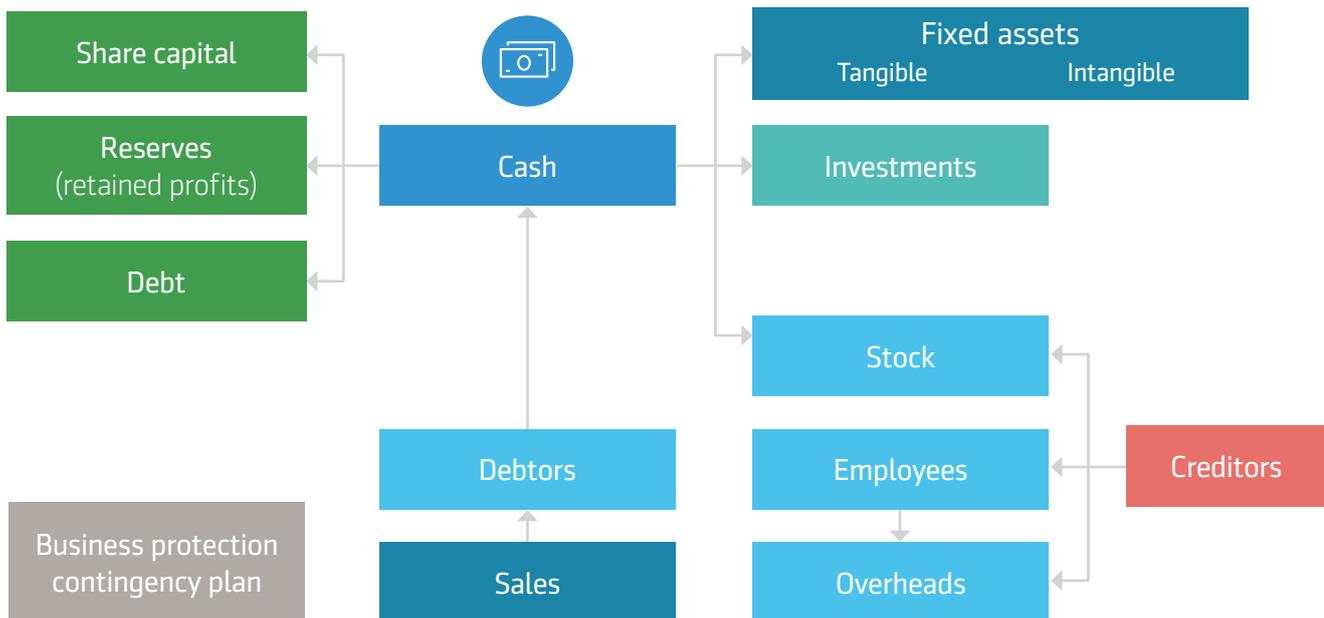


Continuity and succession planning for your business

Business continuity and succession planning for many businesses may not be high on their priority list. But, as a business owner, you've worked hard to get to where you are today – have you taken the steps needed to make sure your business continuity and succession plans are properly managed?

How does your business work?

Cash is the life blood of any business and there will be many components of your business that are reliant on cash. For example, fixed assets, investments, stock, employees, overheads, debt, debtors, sales, to name but a few.



Businesses don't go bust in the short term because of loss of profit – but because of loss of cash.

You should also consider what other interests you or your business have that are reliant on the continuity and succession of the business – for example lifestyle and company benefits.

Risk assessment

Impact

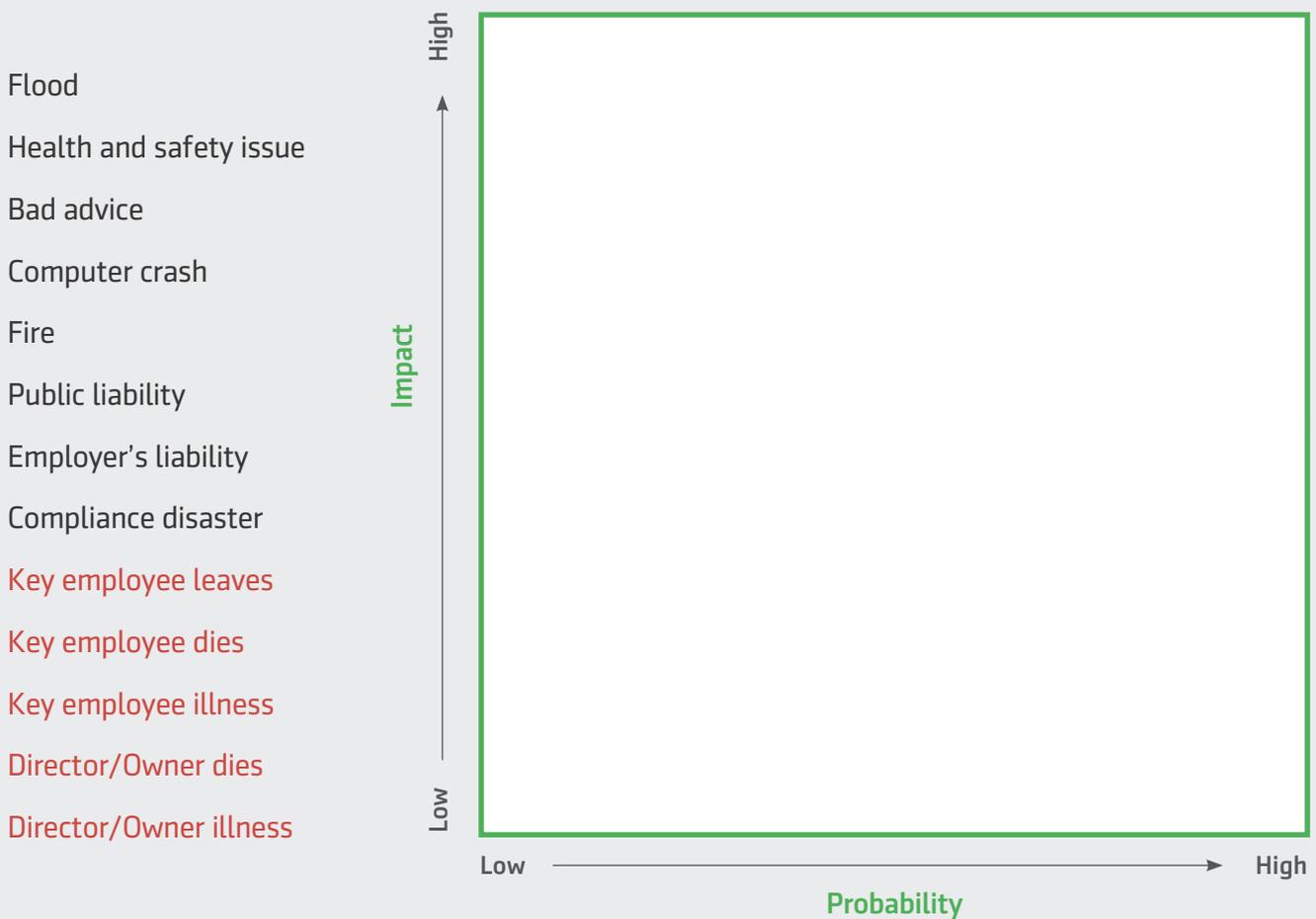
Do you know how long your business would survive if you lost a key person?

Meet Dan and Charles – they run a printing company together. But when Dan dies unexpectedly, the business isn't prepared for his death.

[Watch our video case study](#) to find out the impact Dan's death has on the company and the difficult decisions Charles and Libby (Dan's wife) need to make.

Insure the insurable

Plot the following risks listed in the chart below.



The risks above have been grouped into two categories – those highlighted in black and those highlighted in red. But what's the difference? Businesses will often insure the risks in black but overlook those in red.

It's important you don't overlook insuring the people who, in reality, are the individuals responsible for driving the profit and cashflow within your business.

Probability

You've worked hard to build up your business, so it makes sense to protect it. But while you probably already have cover for your buildings, fixtures and fittings, stock, cars and materials, have you covered your single biggest asset – your key employees, or yourself if you're a business owner?

Likelihood of at least one partner/director dying before age 65¹

Age	Number of partners/directors				
	2	3	4	5	10
35	10%	14%	19%	23%	40%
40	9%	14%	18%	22%	39%
45	9%	13%	17%	21%	37%
55	7%	10%	13%	16%	29%

Likelihood of at least one partner/director getting a critical illness before age 65²

Age	Number of partners/directors				
	2	3	4	5	10
35	24%	33%	42%	49%	74%
40	23%	32%	41%	48%	73%
45	22%	31%	39%	46%	71%
55	17%	24%	31%	37%	60%

Source: actuaries.org.uk/learn-and-develop/continuous-mortality-investigation/cmi-mortality-and-morbidity-tables, January 2020

- 1 Based on mortality data of 100% of TMNL08 mortality table (2007-2010 data collected by the CMI and published in Working Paper 94 (2017). Temporary assurances, male non-smokers at 5+ years' duration)
- 2 Based on morbidity data of 100% (CMI Working Paper 75, calendar years 2007-2010) of SC04 morbidity table, male non-smokers at 5+ years' duration

The above figures are based on insured data – which means those people who have the appropriate insurance already in place. Equivalent figures applying across the whole population would result in the likelihood of such an event being even more likely.

It won't happen to me

In the hustle and bustle of everyday life, it's difficult to think about what would happen to your business or your family if you died or became seriously ill. But the reality is – the unthinkable does happen.



Cardiovascular disease (disease of the heart and circulation) causes a quarter (25%) of all deaths in the UK – that's more than 160,000 each year or one death every three minutes.³



One in two people born after 1960 in the UK will develop cancer at some point in their lifetime.⁴

Every four minutes someone in the UK dies of cancer.⁵



As a business owner, you need to consider the impact to your business, of you, your partners/shareholders and/or key employees, becoming ill or dying.

- 3 British Heart Foundation, CVD statistics UK factsheet, July 2021
- 4 Cancer Research UK, Cancer risk, January 2022
- 5 Cancer Research UK, Cancer mortality, January 2022

Questions to think about

Whether your business is a limited company, partnership or limited liability partnership (LLP) the following sample questions are equally relevant in uncovering your continuity and succession planning needs.

Continuity

- Who contributes to profit?
- Would there be a financial impact on the business if one or more of the directors/partners/members or key individuals were no longer around?
- Would the business or its owners have the cash to survive?
- How quickly would the business or owners need the cash?
- Where would the business or business owners get the cash from if the worst happened?
- Are there any [liabilities](#) (for example, loans)?
- Are there any personal loans from the directors/partners/members into the business?
- Are these loans subject to personal guarantees?

Succession

- Do you have a [business will](#)?
- Do you have an exit strategy?
- Do you know the value of the business?
- What do you want to happen to your share of the business on your death and/or critical illness?
- Do you want your beneficiaries to receive the value of your share of the business?
- What do the Articles of Association or Partnership Agreement say will happen? Do the Articles of Association or the partnership agreement state what has to happen to your shares or how business assets will be divided if the worst happened? If not, what do you want to happen to your share?
- Will your fellow shareholders/partners/members want your beneficiaries or a competitor to join the business?
- Could the remaining shareholders/partners/members afford to buy your share of the business?
- Is there a shareholder/partnership⁶ agreement in place?
- If so, do you know if it's inheritance tax (IHT) effective?
- When was it last reviewed?

⁶ If not, do you realise that a general partnership dissolves on the death of a partner?

If you're a sole trader then continuity and succession planning may not be important if you've no intention of the business continuing or being passed on when you die, become critically ill, have an accident or are off sick. However, you're likely to have personal protection needs that should be addressed, such as income replacement, mortgage protection, personal loans, family protection and inheritance tax planning.

Continuity

- Do you have any employees?
- Do you consider any of them to be key?
- Would your business continue to trade if you or your key employees were no longer around?
- Are there any liabilities (for example, loans)?
- Are these loans subject to personal guarantees?

Succession

- What are your plans over the future ownership of your business?
- Who will you be passing the business on to?



Continuity and succession planning forms

Once you've answered the questions on the previous page, you can use our [continuity and succession planning forms](#) to help you identify your business protection needs – so you can start putting measures in place to plan for the future wellbeing of your business if the worst happens.

Need more information?

We offer a range of life, critical illness and income protection solutions which your financial adviser can tailor to suit your individual business' needs, making sure your business can continue to function – even if the unexpected happens.



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