



GOLD

FAMILY WEALTH

You Will Die: Business Planning for Unexpected Death

Death is the one experience every business owner has in common. Few business owners like to talk about this fact, and even fewer like to plan for this inevitable outcome, especially if they don't plan to die anytime soon.

Though it may seem morbid, it's crucial for business owners to plan for their deaths well before they're ready. Failing to do so could send shockwaves through the lives of the people you care about, your business, and your legacy, like it did for one fictional but representative business owner.

Death visits early

Darnel Peters had everything he'd ever wanted—a large loving family; a locally renowned logistics company that continued to grow; no obvious health problems, save an occasional twinge in his back, which he chalked up to an active lifestyle and aging body.

But after a routine checkup, he learned he had Stage 4 pancreatic cancer. His doctors told him he had maybe 12 months to live, but only if he committed to extremely aggressive chemotherapy, which he knew would take him away from running his business.

Darnel's business success was primarily because of him. He had good managers but no one who could run the business in his absence. He'd only just started thinking about converting his sole proprietorship into an S corporation, on the advice of his advisors. And Darnel's post-retirement plan was non-existent, since he figured he wouldn't leave for another 20 years.

He shared the shocking news with his family and trusted business advisors. His brother and financial advisor, Stephon, felt he had a duty to do whatever he could to give Darnel as much time with his family as possible. He started by asking his brother what he wanted to do with the time he had left.



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Prioritizing in the face of death

Darnel was put in an impossible position, but one he couldn't simply ignore. He was torn between spending as much time as possible with his family and getting his business affairs in order, because his family's lifestyle relied entirely on him.

His silver lining was that he had a trusted team of advisors, including his brother. Ever the consummate leader, Darnel shared the three things he wanted to do with the time he had left.

- 1. Be physically with his family as much as possible.*
- 2. Do something that would give them the money they needed to live comfortably after he died.*
- 3. Protect his employees and prevent the business from folding.*

Darnel's Advisor Team scrambled to find someone who could manage the business. Before his diagnosis, Darnel has purchased a \$2 million life insurance policy, which would give his family a couple years of breathing room. And his business had flirted with buyers before but never anything formal. Darnel told his team to do whatever they could to fulfill his plans.

No plan, no storybook ending

Darnel died nine months after his diagnosis. His Advisor Team couldn't find anyone to take the reins of the business in that time. When potential buyers examined the business, they saw that it relied entirely on Darnel's presence for sales success. The best offer they received was for a paltry \$1.5 million, which the Advisor Team accepted per Darnel's request to do the best they could.

With \$3.5 million between the sale and life insurance payout, Darnel's family survived, but had to sacrifice many of the perks of their lifestyle. His business and employees weren't as fortunate. The buyer stripped the company for its book of business and laid off 95% of his workforce.

How you can reduce the risk of facing this fate

Death can come unexpectedly and destroy your life's work. However, there are ways to mitigate the risks that an unexpected death can bring.

- 1. Know what's important to you.** Ask yourself, "What matters most to me?" This is the first, perhaps most important step toward planning for a successful future.
- 2. Start planning before you're ready.** Time is one of the most powerful weapons you have in your planning—it's also limited and difficult to gauge how much you have left. Consider creating both **an estate plan** and a **business continuity plan** in writing right away if you haven't already.
- 3. Become inconsequential.** A business that relies on you often dies with you. Commit to training or hiring next-level management that can run the business in your absence.

The prospect of dying without a plan can be scary. It's easy to brush it off and believe it won't ever happen to you. However, doing so can also force you, your business, and the people you care about into a situation that could be avoided with proper planning.

We strive to help business owners identify and prioritize their objectives with respect to their businesses, their employees, and their families. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

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