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- *If something happens to you, what happens to your business?*
 - *Is your family protected?*
 - *Are your finances protected?*
 - *Is your business safe?*
 - *Have you taken steps to protect the health of your business?*

PLANNING FOR THE SOLE PROPRIETORSHIP



Business

solutions that meet your objectives



STANDARD LIFE



The Standard Life Assurance Company

www.standardlife.ca

What happens if a sole proprietor dies without a business continuation plan in place?

Unplanned Disposal of Business

- Assets sold for a fraction of actual value
- Only a small percentage of accounts receivable are collected
- Equipment and machinery are sacrificed
- Surviving family members suffer loss of income
- Executor who attempts to continue business becomes personally liable for any losses

Three Solutions

To maximize the value of their business and ensure the best possible situation for dependants, all sole proprietors should pre-plan for the orderly disposal of their business. There are three main options to consider: orderly liquidation, orderly retention, or orderly sale.

1. Orderly Liquidation

This is the best option if:

- There is no experienced family member or employee who could continue the business
- There is insufficient personal estate liquidity
- The executor/trustee feels obligated to reinvest in a more secure business venture
- There is a lack of credit

Legal Considerations*

The owner's will should free the executor from personal liability. It should also authorize the executor to:

- Sell the business
- Retain the business temporarily to await a sale
- Change the form of business (i.e. join a partnership or incorporate) to keep the business running or make it easier to sell

Life Insurance

- Can offset the shrinking value of some of the business assets
- Can pay all estate administration costs
- Can allow for the retention of business until best price is found

**At all times a legal professional should be consulted for the proper documentation*



2. Orderly Retention

Sometimes the family members are ready and willing to retain the business. This is the best option if:

- Heirs are willing and able to actively participate in business
- There is adequate personal estate liquidity
- Customers and creditors approve transfer of ownership (and will continue to support the business)

Legal Considerations*

The sole proprietor's will should authorize the executor to complete the transfer of ownership to the surviving heirs. It should also absolve the executor of liability during the transition period.

Life Insurance

- Can provide ample estate liquidity
- Can keep business intact
- Can ensure a readjustment income to the spouse until heirs become active business owners
- Can guarantee that income or a lump sum can be paid to other family members and heirs not involved in the business

3. Orderly Sale

The business can successfully continue after the owner's death if:

- An employee is ready and willing to step in and take the owner's place
- Heirs are unwilling or unable to participate in the business
- Continuation of credit is assured
- Customers, creditors and suppliers recognize the new owner's abilities

Legal Considerations*

A lawyer drafts a buy-sell agreement that sets forth the employee's obligation to buy and the obligation of the legal representative to sell the business interest at an agreed-upon price. Proper funding can be obtained through the use of life insurance.

Buy-sell agreement

An insured buy-sell agreement offers tremendous advantages to everyone involved:

- Heirs receive full value in cash and without delay
- Estate is settled promptly and efficiently
- Family is relieved of business worries
- Business continues without costly interruption
- Potential shrinkage due to liquidation of assets and loss of goodwill is eliminated
- The future career of the employee purchasing the business is assured

Key Person

Initiate an amount of insurance on each key person's life to match his or her individual importance to the business. Amounts are periodically reviewed to reflect business growth.

Key person Insurance (benefits)

- Provide the funds to recruit, hire or train a suitable replacement
- Provides funds to ensure customers and creditors of business continuity

Standard Life

In Canada, The Standard Life Assurance Company has \$30 billion in assets under management and offers a wide range of financial products and services to over one million individuals, including group insurance and pension plan members. Its 2,400 employees are committed to providing superior customer service from its principal office in Montréal and its 20 sales offices across the country. Products and services include group savings and retirement, group insurance, individual life insurance, savings and retirement. Through affiliated companies, it also offers mutual funds and portfolio management services. Total premium income and deposits reached \$3.6 billion in 2002.

The Standard Life Assurance Company, founded in Edinburgh (Scotland) in 1825, is Europe's largest mutual life insurance company with over 12,000 employees, \$208 billion in assets under management and over 5 million customers in the United Kingdom, Canada, Ireland, Germany, Austria, Spain, India, China and the United States. The Company has also established a representative office in South Korea. The Company is described as having excellent financial strength by two major international, independent rating agencies. Its total premium income reached \$26.8 billion in 2002.



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