Risk Management Services

VALUATION | BUSINESS PROTECTION | COMPENSATION | GROUP INSURANCE

BUSINESS OWNER PLANNING | SUCCESSION PLANNING

SAMPLE CPA

Let us help you manage your risk

Free Risk Evaluation & Planning Guide

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RISK PLANNING

Introduction

As a business owner you spend most of your efforts on examining the ways that you can improve your company's profitability, create new solutions, provide better services, hire more dynamic employees and other factors to take your business to the next level. You may be missing a very important piece to your companies overall success and ultimately its longevity. Risk management is an essential piece to the business planning process and we can help you every step of the way.

The risks to your company are large, no matter of your size or corporate structure:

- Inability for you, the owner, to operate the business as normal due to an illness or injury.
- Loss of a key employee due to illness, injury or death.
- Improper coverage to protect your company from employee neglect or errors.
- Proper benefits for employees to help them return to work sooner and endure missed time.
- How will your business continue once you are ready to retire?
- Do you have an accurate valuation of your business for planning purposes?

These are just a few of the items that you may have not considered in your planning process. Sample CPA can help you evaluate each risk and determine a plan of action. You may have an immediate need for a solution or a developed time line to protect your company as you grow. This planning guide was designed to help you better understand the needs and solutions that are out there to help you keep your company successful and protected.

Business Valuation

The process all starts with gaining an understanding of what the "real" value of your business is. Valuing a closely held business is not as straight forward as it may seem. The valuation of a closely held business will not be exact, but it does have to be reasonable and fair. Keeping this important piece of information in mind will help shareholders of a business agree upon a value of the business and also the method in which that value was determined.

The valuation of the business is essential stepping stone to effectively protect your business, obtain business loans, develop a succession plan and multiple other decision making processes. The businesses valuation also effects the estate planning of shareholders and if not done properly, could create unforeseen or increased tax liability.

We are prepared to complete a reasonable and fair business valuation to help you plan for the future of your company. We can help you determine which valuation method may be most appropriate for your business and explain the reasoning. Ask us about how you start the process to complete this vital component to the planning process.

BUSINESS PROTECTION

Key Person Insurance

Do you have an employee or employees who are key to the long-term success of you company? Key person insurance provides protection to the business owner in the event of a key person being injured, become ill or pass away. The beneficiary of the protection is the business itself, rather than the key people of the company. Key people vary from company to company and can include shareholders, members of the company's Board of Directors, top sales people, project managers, top level managers and supervisors, or any employee whose skills and services are valuable to the company's operation, growth, performance and profitability.

Importance of Key Person Insurance

Key person insurance provides protection for the business owners. The beneficiary of the protection is the company itself, rather than the owners or key people of the company. This type of insurance provides a safety net to a business against an uncertain future in a proactive way. The importance of key person insurance cannot be under-emphasized. It provides protection to the assets of a business derived from its people and their services. Key people should be seen as assets to a business and a death or disability can cause serious disruption to the business operation which can translate to lost revenue.

Benefits of Key Person Insurance

The purpose of key person insurance is to help maintain business continuity despite the absence of a shareholder or other key person.

There are many purposes and benefits that can be derived from key person insurance. Your business will receive convenient financial resources to cover costs and expenses associated with the death or disability of a shareholder or other key employee such as:

- Short-term revenue deficits.
- Cost of hiring temporary personnel.
- Expenses for recruitment and training.
- Lost sales and other forms of income loss caused by the delay or cancellation of projects managed by the key person or the loss of opportunity to do business due to lack of personnel with specialized skills to work on a project.
- Shareholders and investor protection and security.
- Cost of ability to borrow money.

Considerations for Key Person Insurance

Key person coverage can take the form of term or permanent life insurance to cover against the untimely death of a key employee. The often overlooked and more likely scenario would be protecting against the illness or injury of a key person. Make sure you are protecting the business with disability key person insurance, not just life insurance.

BUSINESS PROTECTION

Other Disability Protections

Disability insurance can be used in multiple ways to protect a business. Lost sales or lost revenue are not the only things impacted when a disability occurs. The items below are common disability coverages for closely held businesses.

Overhead Expense Insurance

Overhead Expense (OE) insurance reimburses a business owner for business expenses incurred during a disability. This coverage helps owners keep their businesses running when they are too sick or hurt to work. Covered expenses are typically those that are deductible for federal income-tax purposes, such as premiums for malpractice insurance, mortgage/rent, salaries, utilities, water and more.

Business Loan Protection

Business Loan Protection is often offered a rider to a business overhead expense policy. The rider can be used to cover loans taken out for business-related expenses, such as:

- Purchase or expansion of a practice or business.
- Purchase of expensive equipment.
- Facility renovations.
- An increase in working capital or build-up of inventory.

In the event of a total disability, benefits can be assigned to the financial institution holding the loan.

Buy/Sell Agreement

A buy/sell agreement also known as a business continuation plan, is a contract that outlines what will happen to a shareholder's business interest upon death, disability or other triggering events.

A well constructed buy/sell agreement anticipates how the value of your business may change over time and provides appropriate methods to adjust the value of the company during unpredictable future business and market cycles. When it's time to leave your business, a properly structured buy/sell agreement can:

- Help create a market for your business interest.
- Establish the purchase price of your business interest and possibly set a value for estate tax purposes, while you are living.
- Maintain the "closeness" of the business by restricting the transfer of your business interest to existing shareholders, family members or other selected key employees.
- Help your family by providing liquidity for the payment of estate taxes and other estate settlement costs.
- Increase the business' credit risk by providing a business continuation plan.
- Help assure that the business you created continues to provide for your family and your employees.

Funding a Buy/Sell Agreement

When funding a buy/sell agreement, you will want to make certain that the required amount of cash is available at precisely the time it is needed. Unless a company retains an extraordinary amount of capital reserves sitting on the sideline for emergency purposes, life insurance and disability insurance are the most appropriate way to fund the death and disability provisions of a buy/sell agreement. In addition, life and disability insurance:

- Are generally more cost effective than other funding methods (i.e. loans and sinking funds).
- Satisfies the buy/sell obligation without having to deplete reserves, cash flow or personal funds of the remaining shareholders.
- Normally provides the purchaser with the necessary funds income-tax free (absent a transfer-forvalue).
- Can help fund other triggering events by way of cash values.

Buy/Sell Considerations

A buy/sell agreement is an agreement between two or more parties and is a crucial step to ensure your business remains intact upon the death, disability or other triggering events of shareholders or other key people. The first step is to understand and agree on the present value of your company and how you will adjust the value down the road. Without a clear understanding of the importance of properly valuing your business you will be guessing and possibly painting the shareholders in a corner when specific events occur. Ask how we can help you create a fair and reasonable valuation of your business.

With a clear understanding of the value of your company you can properly craft your buy/sell agreement and create funding mechanisms based on specific triggering events. A properly crafted buy/sell agreement will protect the continuity of your company while protecting the shareholders, the shareholders' families, heirs and estate, customers, investors, lenders, vendors, suppliers and the community you serve, regardless of whether the departure of a shareholder or key person occurs by choice or by chance.

A buy/sell agreement is a legally binding contract crafted by the current shareholders of a business to establish agreed upon terms and conditions regarding the disposition of a departing shareholder's interests in the business.

A buy/sell agreement provides the direction and if established, the resources required to ensure the smooth and orderly transfer and continuation of a business pursuant to specific, disruptive life events commonly referred to as triggering events in a buy/sell agreement.

BUSINESS PROTECTION

A properly crafted buy/sell agreement can also prove to be invaluable when settling the estate of a closely held/family owned business shareholder. It can help avoid unexpected delays and estate tax consequences by providing: direction; liquidity; and an established purchase price of the deceased shareholder's interest to be used as the taxable value.

In the absence of a workable agreement, the remaining shareholders and the corporation may be placed in the unenviable position of negotiating under adverse circumstances with former friends, their families, or their estates. Such negotiations, which would occur after the interests of the parties have diverged, are difficult, fraught with uncertainty, and often lead to litigation. Workable buy/sell agreements are the cure for the potential problems.

A buy/sell agreement can be favorable form the viewpoints of remaining/departing shareholders and the company in many diverse situations. With careful planning, all shareholders can be equally protected and considered without placing the company in an adverse position.

When considering a buy/sell agreement, it is helpful for each shareholder to:

1. Understand that the agreement is intended to protect all shareholders and the company against future unpredictable, identifiable, disruptive events.
2. Consider the impact of the agreement from the position of a departing shareholder.
3. Consider the impact of the agreement from the position of a remaining shareholder.

A buy/sell agreement is a legal document and as such should be prepared by a competent business planning lawyer.

BUSINESS PROTECTION

Business Insurance

One of the most crucial protections lies in the assets of the business itself. General Liability and Property Insurance can protect your business in the litigious environment that we live in. We are prepared to help you ensure that you have the proper coverages in place. Let us take a look at your current coverage to make sure you are properly protected and see if we can help you do it in a more cost effective manner. We offer a comprehensive review that will include: General Liability and Property Insurance, Automobile Insurance and Worker's Compensation.

General Liability and Property Insurance

The assets of your business and possible your personal assets could come under attack as a result of actions of your employees or you. Make sure you are properly protected against any unforeseen accidents or actions by reviewing your insurance plan today.

Automobile Insurance

If you have vehicles as a part of your business, maintaining a proper insurance plan in the most cost effective way could be a priority. Maintenance for your fleet is enough to worry about without adding uncertainty of costs related to accidents and damage.

Worker's Compensation Insurance

Worker's Compensation can be a concern for your business. Depending on your workforce and duties that they perform, worker's compensation insurance could be an increasing cost for your business. Make sure you are partnering with an agent that truly understands your business functions and the duties of your employees. Let us take a look at your protection and classifications to make sure you are not spending your hard earned money for risks that may not exist.

BENEFITS

Executive Bonus Life Insurance

The success of any business depends on smart strategy and planning. An executive bonus arrangement can be a powerful, yet simple way to provide a valuable benefit for shareholders and key employees. The benefits acquired through a life insurance policy that builds cash value are a combination of death benefit coverage and the policy's accumulated cash surrender value. An executive bonus plan acts as a rewarding incentive for individuals who are vital to the success of your business.

Why Life Insurance?

Executive bonus plans are a non-cash benefit that can improve employee morale and retention. Unlike most other benefits, an executive bonus arrangement does not have to be offered to all employees, so it's exclusivity increases its value. In addition to other incentives offered by a company, an executive bonus plan allows the business to shift funds out of the corporation in an efficient, tax-deductible manner, while the insured gains the added benefit of life insurance coverage and the potential for an additional income stream at retirement.

Who Can Benefit?

Executive bonus plans are a desirable way for business owners to reward key employees by offering a combination of life insurance and the potential cash surrender value of the policy. This benefits you business by providing a way to retain valuable employees, thereby protecting against the loss of key accounts, vendor confidence, and diminished earnings. These plans can also help improve employee morale. For the key employee, an executive bonus arrangement offers valuable life insurance for little or no out-of-pocket cost. And, because the employee is the owner of the policy, how it's used is u to the individual - they can pass the full death benefit onto their heirs, or they may need to utilize the policy's potential cash value to help supplement their own retirement income. There are multiple ways that an executive bonus plan can be structured. We can help you navigate the advantages and disadvantages of each type of plan to help you determine what is right for your company.

Group Insurance Benefits

When was the last time you reviewed the benefits that you are offering your employees? In today's world a competitive insurance benefits package can set your company apart and aid in recruiting top talent to impact your business. Let us help you do a review of your current benefits. We will perform an objective review of your current coverages and offer recommendations on possible replacement or additions that could benefit you and your employees.

- Group Health Insurance
- Group Life Insurance
- Group Long Term and Short Term Disability
- Group Dental and Vision Insurance

BUSINESS OWNER SOLUTIONS

Retirement Solutions

Your company's group retirement plan has limitation and in many cases is not enough for the business owner. We have several options to help you supplement your retirement so that you can rest easy that you will be able to enjoy retirement.

Supplemental Retirement Using Life Insurance

Life insurance can provide benefits for saving for retirement that no other vehicle can offer. Life insurance is key in protecting your business and family, but did you also know that it can offer the following benefits for retirement planning:

- Death benefit protection during your working years.
- Potential tax-free income stream at retirement.
- No penalties for early access.
- No required minimum distributions (RMDs).
- Flexibility

The proper selection of product and design is key to a successful life insurance in retirement plan. We will objectively research the market to provide you with options that are beneficial to you individually. The life insurance in retirement solution can help you diversify you tax liability, your risk and give you flexibility and protection. We would be happy to provide you with a sample solution so that you can see the power of life insurance in retirement.

Fixed Indexed Annuities

While annuities are common place in retirement planning, they are often overlooked as a solution for old retirement accounts with past employers or IRAs that are sitting in active or under performing. Fixed Indexed annuities can offer some very appealing benefits that could help you increase the benefit that you receive from those old retirement accounts. Benefits such as:

- Guaranteed income stream for life.
- A crediting floor that protects you from market down turns.
- Crediting methods that allow you to see higher possible returns than some other options.
- Possible income increases during retirement.

Don't let your retirement dollars sit idle. Let us review any old accounts to see if we can better your potential.

BUSINESS OWNER SOLUTIONS

Estate Planning

You spend a lot of time and energy to ensure that your business is successful, but are you taking the time to ensure that your idea of a legacy is fulfilled? Estate planning ensures that your wishes will be followed. Creating an estate plan can provide peace of mind and limit fights that often ensue when no estate plan is in place. It is true that estate planning might minimize probate expenses, but it also lets you pass on a meaningful legacy to those you care about.

Trusts

Wills will generally cover distribution of probate assets, while trusts are entities that can manage assets and distributions over time. Trusts can be used in a varied of ways and can be revocable and/or irrevocable. Revocable trusts allow you to make changes and because there is no loss of control, those assets are still considered part of your estate. Irrevocable trusts cannot be amended or controlled by the individual who creates them. Assets that are placed in a irrevocable trust are generally out of the control of the grantor and are also not included in the person's estate. There are many benefits to irrevocable trusts. They can:

- Offer privacy, unlike wills that can be viewed by the public after death; irrevocable trusts do not have the same transparency.
- Offer ongoing control over the distribution of assets.
- Hold various assets, including cash, bonds and life insurance.
- Offer protection from creditors of the grantor and of the beneficiaries.
- Be in existence for many years; some can live in perpetuity (depending on the state).

Charitable Giving

You can transfer an unlimited amount of assets to qualifying charitable organizations during your lifetime or at death without paying any estate or gift taxes. Charitable gifts that you make directly to a charity during your lifetime will usually qualify for an income tax deduction. Although this deduction is limited in a single tax year, you may be able to use the excess deduction in the following five tax years. There may be a better way for you to leverage those dollars that you would like to allocate to charitable giving. Using life insurance for charitable giving can help you leverage a death benefit to increase the donation given to the charity of your choice. Let us help you with a charitable giving strategy that could better benefit you and those in need.

Estate Equalization

Business owners have issues with their estate that others do not. Do you have an heir that would like to continue the family business and one or more that are not interested in continuing in the business? Estate equalization can help you equalize the inheritance that your heirs receive taking into account those that would like to keep the business and those that would not. Life insurance can be used to benefit the heirs that are not interested in being involved in the business. This can help reduce conflict after your passing between heirs and transfer business control only to interested parties.