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## **Business Exit Planning**

Last month we looked at ten important questions a business owner should confront when planning for the immediate and future operation of his business. One of those questions raised the issue of what can happen in the case of the owner's physical failure or unexpected death.

***Will disability or death trigger a call on outstanding loans? If so, how will the loans be paid?***

This question is too often ignored and has put many successful companies out of business. Banks seldom make loans without personal guarantees, bonding companies want similar collateral, and most landlords require the business owner to personally guarantee the lease. Consider the following illustration.

A company's owner has spent many years building the business, along with her personal net worth. Without warning, she dies. The bank that extended credit counted on the owner's *personal assets* as well as the business to collateralize the loan. But the new owner, a family member or key employee, has not had time or opportunity to build a similar net worth and now the loan is in trouble. Leases and bonding that were guaranteed by the company and owner are also affected.

Insurance will help to mitigate this problem. Life and disability policies on the owner can provide operating capital for the company and funds to pay down loans. Make sure there's enough coverage initially, and review your situation annually. Adjust insurance coverage periodically to keep current as the business improves and obligations grow. Keep your insurance agent informed of the business's posture so he can advise you properly.

***Only the best-prepared businesses sell for top dollar.***

If you have questions about exit planning, please contact us for a no-obligation consultation. ***Jordan-Crandus, P.A.*** has been helping business owners prepare

their companies for sale since 1979.

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