

Business Succession Planning

A Case Study

David and Alberto ran a chain of butcher shops. They employed 24 full-time staff. The business was in its 10th year of operation and both partners were beginning to see the fruits of their labour. The business was highly successful and in a profitable position.

Just when everything was going perfectly, tragedy struck. David, after complaining of back pain, finally decided to visit his GP. After some tests David was sent to a specialist and diagnosed with cancer.

David immediately stopped working to undergo treatment. Unfortunately after three months, the treatment was unsuccessful. The diagnosis was just too late.

David left all of his assets to his wife Lisa. This included his interest in the butcher business.

Lisa had never been involved with the business and now wasn't the time to start. Lisa was very conscious of the fact that David and Alberto were not just business partners but good friends. However Lisa needed to convert her half ownership into usable funds. Lisa had relied on David's wage. She needed money to support herself and her three children.

Alberto would have been happy to pay Lisa her share of the value of the business if:

1. He knew what the business was worth
2. Lisa agreed with the value
3. Alberto could find the money to pay her

David and Alberto – with their risk adviser, accountant and tax lawyer – could have prepared a Business Succession plan to deal with a principal:

1. Dying
2. Becoming disabled
3. Retiring
4. Resigning

Lisa could have then expected Alberto to purchase her share of the business for an agreed predetermined price. Alberto could have required Lisa to sell her share of the business to him for the predetermined price.

Business Succession Planning minimises disruption and avoids the necessity for additional borrowing or asset depletion in already adverse circumstances. Business Insurance is a specialised field of insurance. It is strongly recommended you consult trained advisers who can undertake a detailed analysis of what is required and who can tailor a protection package to meet the individual needs of your business.

A specialist adviser will work with you to understand your business needs and create a Business Succession plan. Your adviser will then work with a specialist lawyer to ensure the documentation is correct and accurate. They will work with you and your accountant to ensure that the business is properly valued and that the insurance level or funding plan is appropriate to your needs.



So you think it won't happen to you?... Take a look at the facts¹

Death claims – some recent examples

Age	Gender	Years since policy commenced	Cause	Benefit
35	F	3	Melanoma	\$315,000
37	M	6	Motor neurone disease	\$638,142
40	M	3	Septic shock	\$262,500
48	F	19	Car accident – multiple injuries	\$263,856
50	F	6	Acute myeloid leukaemia	\$1,595,352
51	M	2	Brain tumour	\$2,000,000
52	F	2	Breast cancer	\$157,500
53	M	5	Metastatic colorectal cancer	\$1,215,506
60	F	6	Pancreatic cancer	\$202,065
62	F	27	Nephrotic syndrome	\$497,872

One in three men and one in four women will be directly affected by cancer before the age of 75.²

Cancer is still one of the leading causes of death in Australia – over 43,000 people die from cancer each year.³

The most common cancers in Australia (excluding non-melanoma skin cancer) are colorectal (bowel), breast, prostate, melanoma and lung cancer.³

Cardiovascular disease (heart, stroke and blood vessel disease) is the leading cause of death and disability in Australia, claiming the lives of 48,500 people in 2008, or 34% of all deaths.⁴

Around 3.67 million Australians are affected by cardiovascular disease.⁴

Sources:

1. Zurich Claims experience 2008-2009.
2. Australia's Health 2008, Australian Institute of Health and Welfare.
3. Cancer Council Australia 2010.
4. The Heart Foundation, www.heartfoundation.com.au – 2010.

Zurich Wealth Protection is issued by Zurich Australia Limited ABN 92 000 010 195 AFSL 232510 (Zurich) of 5 Blue Street North Sydney, NSW 2060. This information is dated 1 March 2012 and is derived from sources believed to be accurate as at this date, which may be subject to change. It should not be considered to be a comprehensive statement on any matter and should not be relied on as such. The summary information in this publication is general in nature and does not take into account personal objectives, financial situations or needs. You should consider the relevant Product Disclosure Statement (PDS) and the appropriateness of the product(s) before making a decision regarding the product(s) (available from your financial adviser or on www.zurich.com.au). We also strongly recommend that you seek professional financial advice before making any decision regarding your personal insurance needs. The people referred to in the case study are not real.