



Business Strategies for “What if” Situations

What if I Am the Sole Owner and Worried About Continuity?

By Nathan Sachs

If something happens to you, you want the business to continue even if you do not. The only chance of that happening depends upon the right employees staying with the business. If you do not return to the business because of either death or disability, your key employees are going to become insecure about their future. Without you and without them, the business might as well as close its doors.

How do you prevent the key employees from leaving? Money! You must have a plan in place that will financially reward the key employees for staying with the business. Your family is going to need these key people to stay whether they liquidate, sell or retain the business, at least for a certain period of time.

You must put this in writing. We refer to this as a Stay Put contract. The Stay

Put contract will promise a bonus if the key employee will stay for a set period of time in the case of your death or your disability. We want that employee's best next job to be the one he currently has. This contract is not binding on the employee; if structured properly financially, they stay.

The next thing you need to do is put your continuity instructions in writing. Communicate to your employees, family and advisors what they are going to need to know if you are no longer here. Who is responsible for day-to-day operations? Who should make the financial decisions? Who is in charge of administration decisions? List the names and phone numbers of your advisors. Who can assist the family with the business transition? Should the business be sold, liquidated or retained? If sold,

who would be potential buyers? Make this choice during your lifetime so your family does not make the wrong choice when you are not here.

Your death or disability will create immediate and immense problems, such as significant financial interruption, possibly no successor, loss of your talent and/or emotional distress. Most business owners have left more written instructions in the past for babysitters when they have gone out of town for a night or two, than they have in the case of death when they will never be able to talk to their families again. Doesn't your surviving spouse deserve as much as the occasional babysitter? ■

Nathan S. Sachs, CLU, ChFC, CFBS, is founder and owner of Scottsdale-based Blueprints for Tomorrow™, a business advisory firm. Sachs can be reached at (480) 596-1525 or via e-mail at natesachs@blueprintsfortomorrow.com.