Protecting What You Care About: Business, Family, & Employees

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As a business owner, you're likely the most important person in your business. You're probably the breadwinner for your family. Your employees rely on your leadership and success for their livelihood. A lot of people depend on you.

What would happen if, without warning, you were to die or become incapable of running the business?

Many business owners might answer that question by saying, "I have a Buy-Sell Agreement" (a written agreement that controls what happens to your stock following certain events, such as death or incapacitation). If you own a successful business, a Buy-Sell might not be enough. Experience shows that Buy-Sell Agreements only dictate *to whom* business ownership would transfer. They often don't provide enough guidance to family members, the new owners, or employees about how to handle all of the responsibilities you once had.

For example, if you were to die, would your family know what to do about any personal guarantees you provided in connection with your business? Would the person who took over your business know how to work with your important clients?

Without preparation, sudden death or incapacitation can wreak havoc on the plans you make for the future of your business, along with the plans your family and employees have. But by planning for an untimely death or incapacitation, you can position your business, family, and employees to thrive without you. Consider how one owner, Valerie Heidelberg, did just that.

Valerie Heidelberg's company, Heidelberg Flooring, was in the midst of a business boom. As the face of the company, Valerie was preparing to open Heidelberg Flooring's eighth location. On the day the new location was to open, Valerie failed to show up for work. A few hours passed before Glen, Heidelberg Flooring's VP of Sales, received a call from Valerie's husband, Nick.

Nick told Glen that he was just leaving the hospital. Valerie had suffered a stroke in her sleep and had died *just an hour ago. Glen was stunned, both because Valerie seemed to be in such good health and because he had no idea what Heidelberg Flooring would do without her.*

“Expect a call from someone named Braelyn,” Nick said to Glen. “That’s one of Valerie’s advisors.”

Later that day, Braelyn called Glen to discuss the situation.

“Valerie did a very good job of planning.” Braelyn said. “In fact, she and I worked on a plan to protect against something like this.”

Braelyn explained that Valerie left instructions about who would take over certain responsibilities in the event of her death. Glen would take over as interim president, and Heidelberg Flooring’s Operations Manager, Gary, would take full control over operations leadership. Each received a 25% salary bump to reflect their new responsibilities.

“Valerie also left a list of key clients and prospects, and how she recommends you speak with them about various issues, as well as contact information for key advisors who she thought could help you make any tough decisions” Braelyn said. “We can meet tomorrow and I can go over everything with you.”

Over the next few days, Heidelberg Flooring used the instructions that Valerie provided to Braelyn to announce Valerie’s death to clients, prospects, employees, and vendors. Because Valerie had planned for her unexpected death, the company’s clients and vendors were assured that Glen and Gary would provide the same service and timely payment they’d always expected. Glen proceeded to secure business with three of the biggest prospects Valerie had been working on by using Valerie’s notes and suggestions she’d left behind. Two years after Valerie’s death, the business had grown in value by $1.5 million. The company thrived, even without Valerie, because she left everyone with detailed instructions about what to do if she were to leave the company unexpectedly.

And Valerie’s family also made it through the experience pretty well. With help from her advisors, Valerie had created a salary continuation plan to protect her husband—a freelance film critic—and four college-aged children. When paired with her life insurance money, Valerie’s family didn’t see a change in their lifestyle. Because she had transferred business responsibilities to two of her key employees, her family had minimal stress about the business. Glen and Gary ended up purchasing Valerie’s ownership interest over the next five years, using the company’s increasing cash flow to fund an incremental buyout over time. The sale proceeds, plus Valerie’s investments, allowed Valerie’s husband to lead the family through what might have otherwise been a very difficult financial situation and her children to finish college debt-free.

In short, Valerie’s business, family, and employees all continued to move forward despite her untimely death, all because she left detailed instructions and plans for how the business would continue without her.

If you’re wondering how your business, family, and employees might be affected by your untimely death or incapacitation; or if you’d like to begin planning for how everyone can respond to such an unexpected event, please contact us today.

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