

Why Over 100,000 UK Businesses Fail Each Year

Succession planning - a new and exciting opportunity:

Most business owners would, if asked be willing to implement a Business Continuity plan and avoid the disastrous consequences and hardship that they, their families and their employees may face on the death and or disability of a shareholder/Key person.

It's just that no one has ever discussed it with them!

How long do you think a business would survive if it lost a Shareholder/Key Person?

Not as long as you might think as the failure rate is frightening, 17% collapse in month one, 6% one to three month, 15% four to six month, a further 15% six month to one year and only 47% survive longer than one year. (Source: Legal & General Protection Survey 2003)

Succession planning has recently been formalised in the new British Standard, Business Continuity BS25999. The need for Shareholder Protection arrangements along with the relevant double option agreements, Key Person loss of profit insurance and loan protection cover etc, are all features of this latest standard.

Business owners don't often consider how they would cope financially if a shareholder or a key worker in their business fell ill or died unexpectedly. Over 100,000 UK businesses fail each year because the owners haven't adequately planned for the future or protected against the unexpected and thousands more face real financial hardship. (MORI Succession Survey November 2006)

Does your practice or the businesses you advise have adequate succession planning? Are you able to offer your clients an effective Business Continuity programme?

Over the years I can't tell you how many times I've heard this common statement from business owners, "If it was important and I needed it, my Solicitor or Accountant would have recommended it to me!"

Many business owners are waiting to be guided by their trusted advisers, i.e. you! Until now it has been difficult or even uncomfortable for many solicitors to approach their clients in this regard for fear of being perceived as pushy or even salesy.

The good news is that LEE ALLAN ASSOCIATES are now able to help you with this dilemma. We have developed a simple and effective Liability Audit. We are able to very quickly determine the amount of liability or risk that the shareholders or companies are currently carrying themselves should a shareholder, director, or other important key person die, become disabled, or suffer a critical illness.

We will then establish the cost of transferring some or all of the risk to an insurance company. Many business owners are underwriting all of their financial risk themselves, which is a recipe for disaster. After all most life assurance companies only underwrite the first £150,000 of any given sum assured, the remainder of the risk is re-insured with other companies. We will help your clients chose the best solutions to minimise their risk, by implementing an effective Business Continuity and Disaster Recovery strategy, which will address the following:

- * Repay any business loans, overdrafts or directors loan accounts.
- * Provide a fund to be able to advertise for and recruit a replacement key person.
- * Financially compensate for the companies potential loss of profit.
- * Provide a tax free capital sum equal to the value of the shares of the deceased. This will enable the surviving shareholders to purchase the shares at a fair price from the

estate, tax free, whilst protecting the ongoing continuity of the business and the interests of the surviving shareholders and directors.

A liability audit for a typical small company with only two shareholders would usually show the need for four new wills, a shareholder agreement, a double option share purchase agreement and often amendment to the articles etc.

Unless you have a specifically dedicated system which deals with the various templates required for the numerous business continuity strategies, along with a system for obtaining the correct information, processing applications and achieving acceptable underwriting decisions, then transactions can be complex and take an inordinate amount of time.

I personally have been operating in the corporate disaster recovery market for more than twenty years previously as an Independent Financial Adviser (IFA) I have implemented templates and strategies that enable corporate business assurance to be handled in the most proficient, efficient and tax effective way. As a result we now work with several key partners within St. James's Place and a number of other financial professionals, IFA's, Accountants and Law Firms whose core market means they either do not have the correct licences for this business, or feel that this is not a market they are comfortable operating in, or just find the administration process and

turn around time of large business life assurance cases too burdensome.

One of the additional benefits, results in substantial income being generated for the introducers practice, without a great deal of effort or time being spent on this particular transaction. It's also important to know that we have a whole of market facility when underwriting any business life assurance application, using all of the best providers. If you feel that this facility may add further value to your practice please contact me using the details below. I will be more than happy to talk further on this strategy, or any particular case you may have and determine with you the best way forward.

In my opinion Succession planning should be a natural additional service offered by a modern law firm and LEE ALLAN ASSOCIATES will work hand in hand with you to provide your clients with our unique and professional service.

Lee Allan has twenty five years experience in financial services, most of which has been as an IFA, primarily in the business assurance market. He is the preferred business assurance adviser for a number of Law and Accountancy firms, and speaks internationally for MDRT, the premier association for financial professionals. (www.mdrt.org) His primary focus is the implementation of Business Continuity Strategies.



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