



Suggested Template Business Succession Planning Statement of Advice V2

Purpose

The following document has been made available by the risk store to advisers to assist with the time-consuming task of creating a meaningful, client friendly document for delivering clear recommendations to a client that is a business entity.

Throughout this document wherever possible, the language has been aimed at plain English communication and there is a consistency of theme in the method of describing what business succession planning is in the context of using insurance products as a risk management solution.

Background and Source

The document was jointly developed for real consulting services pty ltd (AFSL 274531) by Brant Dillon and Mike Beachy-Head. It was further adapted and formatted in collaboration with real consulting services by the risk store for access within the risk store by advisers working in or aiming to work in this area of business succession planning advice.

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“Group” rates are available to any dealer group who would like to adopt this template for their advisers to use – just contact Pete Wincott on 0416 009 403.

AN IMPORTANT WORD ABOUT ‘WORD’ FORMATTING:

One of the reasons this document saves time is its auto-formatting structure.

Some knowledge of formatting in Word, including Table of Contents functions, fields coding, etc is necessary to effectively use this document. Please be aware that copying and pasting from the text will bring formatting with it. TEMPLATES IS COMPATIBLE with most planning/CRM software e.g. Xplan, Coin, AdviserLogic, Decimal, Midwinter, etc.

Please do not refer queries of a formatting nature to the risk store during your use of this document. These are best answered by a handy little book called Word for Dummies, or by Word Help.

INSERT YOUR LOGO HERE



Business Succession Planning Statement of Advice

«Company»

Statement of Advice For

«Business»

Prepared by

«Advisor_Name»

Authorised Representative of

«Licensee Name»

ABN «ABN»

Australian Financial Services Licence Number «AFS_Licence»

Authorised Representative Number «Auth Rep No»

On Tuesday, 24 January 2017

This Statement of Advice has been compiled using data collected via the Business Client Information Form. If there is any information that is incorrect, that has changed since completing that form, or that you do not understand please contact <<advisor_name>> immediately. Incorrect information may lead to incorrect advice being given. It is important to note that advice contained in this document is limited to life risk insurance.

BUSINESS SUCCESSION RECOMMENDATIONS

Following our evaluation of your business circumstances, we have formulated a strategy which aims to meet these needs and has been designed specifically to meet your objectives as outlined.

Business Succession and Continuity Planning

There are specific issues that need to be addressed with regards to your overall business structure. These are:

- Business succession agreements and appropriate funding methods
- The release of your estate from personal guarantees
- The repayment of any debts owed to or by the business
- The protection of business income and allowance for capital losses or costs arising from the permanent or partial loss of key people.

Business Succession Agreement and Funding

A properly funded Business Succession (Buy/Sell) Agreement will enable the timely and orderly transfer of ownership in the event of the death, total and permanent disablement or critical illness or injury of a proprietor.

In this part of the report, our aim is to focus on the succession of your business equity which will also address the proprietors' individual loan accounts, personal guarantees and any likely capital gains tax liabilities as advised by you or your accountant.

Each proprietor will no doubt wish to satisfy themselves that their estate will receive a fair value for the work put into developing the business. Implicit in this is an expectation that any outstanding loan accounts are settled, that personal guarantees are cancelled and any capital gains tax is adequately funded.

For the remaining proprietor(s), the agreement will ensure guarantee of ownership, control and debt reduction within the business, critical to the ongoing success and profitability of the business.

Properly drafted and funded Business Succession Agreements obviously come into their own during periods of great stress for a business, such as the death or disablement of a proprietor. The stability that such careful forward planning brings at these times cannot be underestimated.

In our experience, having the agreements and funding facilities in place will be of considerable comfort to other stakeholders in your business, such as **staff, creditors, customers/clients and financiers** who will know that:

- Professional arrangements, and the funds to back up those plans, are in place for the orderly transfer of equity; and
- There will be a continuation of the business under the experienced guidance of the remaining proprietor/s.

Furthermore, having adequate funds available for the settlement of a proprietor's equity removes the pressure on the business at a time of possible capital vulnerability.

From a financial perspective, the plan should consider how the capital would be raised to pay out proprietors' interests as a result of the following events:

- The death of a proprietor