



## Naren Naik

Managing Director and IFA  
Bankfield Independent Financial Advisers

**As a business owner myself, I am very conscious of the risks all business owners take with their personal wealth and their family relationships. As most of us are unable to finance the business exclusively from our own resources, we have to borrow money from the bank, family, friends, shareholders and business angels. As we cannot do everything ourselves, we have to have employees, partners, consultants and professional advisers, all of whom depend on us one way or another. While the business is growing, we normally restrict our personal incomes to re-invest in ourselves, so the majority of our personal and family wealth is tied up in our business.**

# The Corporate Will: what do we do when a business owner dies or becomes very ill?

## **Q. Why should I worry, as sole owner of my business, about such an unlikely event?**

How is your partner and children going to survive financially if you die in harness? It is almost certain that the majority of your personal wealth is tied up in your business and that it is worth much less, probably nothing, without you. If you and your partner were depending on selling the business to provide a pension, then your death will be the death of your partner's pension as well.

## **Q. I have fellow directors, who are also shareholders, is there still a risk?**

If any one of you dies, how do you value the business, and how does the deceased's spouse get value for their share? Would you be happy if you had to accommodate your dead director's spouse as a fellow director or could afford it if you had to buy them out immediately?

## **Q. So what is a Corporate Will?**

Think of it as an emergency plan for the worst. Assuming the business owner died or fell seriously ill, what is in place to keep the business running? Record the arrangements to allow an advantageous sale or to enable the remaining owners to retain control and make a realistic financial settlement to the departed owner's beneficiaries. The structure needs to be formal, so check that there is a complete set of corporate governance documents, which are up to date and that they will do what you expect of them. Have a look in our business financial planning booklet at Section 4, Business Risk Management, 4.2, the Agreement Checklist, for a place to start.

## **Q. Why should I talk to an Independent Financial Adviser?**

Many risks can be addressed by insurance or carefully structured formal agreements, your IFA can assess the risks and suggest suitable actions to address the risks and instruct solicitors to draft the necessary agreements. These can be tax efficient if set up correctly, so do not cut corners and protect you and your family's interests properly.

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