

Are you in control of your business?

Ken Smith from Jelf Group plc discusses how to plan for future security of your business



CAN your business die of a heart attack? Yes, but help is at hand

Being in business should be fun. It should be about doing what we enjoy most, like winning orders, developing products and services, and growing new markets. After all, we set up our own businesses to be in control of our destiny. However, are you certain you have full control over your business?

The success of any business is intrinsically linked to its people. The loss of a key employee, shareholder or partner, either through illness or death, is a serious risk that many people overlook despite the impact it could have on their future security. Most business owners think they adequately manage risk by protecting against the loss of tangible assets like the premises or fleet of vehicles. But unless you have the right protection to mitigate the loss of key people, your business could be exposed.

Key facts the Jelf Group discovered in a recent survey:

- The loss of a key person can amount to £150,000 to £1 million in lost orders – the end of some businesses
- 41% of companies do not insure their business against loss of key staff
- One in five companies do not want the extra cost of providing such protection
- Many companies are unaware of the 'human' risks they face and what they can do to mitigate these risks

In 2003, one of our clients, a man in his early 40s and joint managing director of a laundry firm, suffered a stroke which forced him out of work for six months. Fortunately, they had already undertaken a risk assessment and implemented a business assurance policy. As a result, they were paid a lump sum of £250,000 to compensate for the losses incurred during his prolonged absence.

According to our client: "When we looked at the major threats that could put us out of business, it became clear that if either myself or the other MD became ill or died, the business would face major difficulties without our specialist knowledge and contacts. We also worked out the level of financial cover needed to compensate for any drop in profit or the costs for a temporary replacement. Because these plans were in place, the insurer paid out within eight weeks. In my absence the team would be unable to secure new orders, so these funds enabled us to maintain profitability – basically it kept us afloat.

"My tips to any business owner would be, plan for the loss of key employees, otherwise, when the worst happens,



you'll suffer an even more painful ordeal; and build a good relationship with your advisers to ensure you're covered adequately when things do go wrong."

The reality is that most businesses rely on a few key people for success. If one or more of those individuals became incapacitated and unable to do their job, a domino effect could result, impacting sales volumes, staff morale, bank confidence and questions around ownership – all issues that could jeopardise the survival of the company and the lives of its employees.

When things are going well none of us wants to think about the worst case scenario but, could your business sustain the pressure if you or a key member of staff fell ill for a prolonged period? Would you have the funds available to cover their salary for several months or even one or two years? Have you considered the issues around ownership and the direction of the business following the death of a key shareholder or partner? Often, their share of the business would typically go to their family. But do they want to become involved in the business? Are the surviving partners prepared for this scenario?

Being in business is about taking risk, being successful is about managing risks.

Putting contingency plans in place is one way to avoid significant human, legal and financial consequences. The appropriate protection arrangements will ensure that funds are available in the right hands at the right time to help secure the future of your business.

If you would like the Jelf Group to help you or arrange a review of your existing arrangements please contact Ken Smith on 01483 431134 or e-mail ken.smith@jelfgroup.com

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