

Business life insurance is a key part of succession planning. Here's why.



Great businesses look at the past, present, and future. To succeed, you need to learn from past lessons and mistakes while taking advantage of opportunities in the present. You also need to start laying plans for the future, should something happen to you down the road, by having a succession plan in place with an elected [business life insurance beneficiary](#).

Wondering why our experts suggest business life insurance for succession planning? Read on.

What is succession planning?

Succession planning refers to the strategy businesses make to transfer business leadership from one party to another should an owner be absent. After the time and effort you put into starting and building your company, your family, employees, and customers deserve to have it continue and thrive ... even in your absence.

Beyond determining the parties who would assume control of your business, succession planning includes:

- Working with/informing executive and legal teams of these future plans.
- Training employees in the skills and leadership traits needed to succeed in the new roles.
- Regularly re-evaluating and adjusting the policy as necessary; (for example, amending the plan in the event of someone's departure from the company or a critical condition that deems them unable to assume control).

- Setting up a business life insurance policy.

When does business life insurance come into the picture?

You've worked through your succession plans, but are the plans financially doable for all people involved? To ensure the elected party/parties in your succession plan have the funds to assume control, business life insurance is key.

Let's say your succession plan designates a business partner or family member to take over. A buy/sell agreement on your life insurance policy can help them purchase the deceased party's shares immediately and without disruption to the business. It offers immediate liquidity to fund a buyout as determined in your succession plan.

Business life insurance is also invaluable to your successor moving forward. When a key part of the founding management is missing, it can be much more difficult to acquire funding. Life insurance benefits can provide money to keep operations running smoothly while adjusting to changing dynamics.

How do you choose a life insurance plan and beneficiary?

While it may seem intimidating, a [local, independent agent](#) can help you through the process of getting life insurance for your business. They'll help you understand policies and choose the best coverage for your business based on its size, industry, and needs.

Once a policy is in place, it's time to [declare appropriate beneficiaries](#). Don't rush into the decision. Spend time thinking about key contributors to your business, family members, or others who you would want to elect for this role. Consider holding a meeting with management members of your team to discuss the matter further.

When you've made a decision, inform the beneficiary of this role and ensure they are willing and able to accept the responsibility in the event of your death. If they agree, update appropriate paperwork and set the plan in place. Ensure the beneficiary's name and information are correct and update them in the event they do change.

Setting up a long-term plan is essential for your business's success, and naming a business life insurance beneficiary is part of that. For any other [business insurance](#) needs, Frankenmuth Insurance is here. Talk to a [local, independent agent](#) today.