

Business protection is an area that is often neglected by owners and senior directors of small to medium size companies. In many cases, they have not considered the risks that key events could have on their business such as death or ill health of a director or senior employee.



The starting point for any business is to review the existing Memorandum and Articles of Association, as well as any shareholder agreements to check the treatment of shares in the event of death or long term illness of a shareholder/director.

You may also need to consider directors service contracts to check the companies obligations in the event of long term illness. The directors may also be key individuals in the business therefore death or long term illness would affect the company's turnover.

Once you have considered the basic principles we need to consider the implications the death of a shareholder may have on the business and the family of the deceased. This should be reviewed from a financial point of view both for the business and the deceased's family, as well as addressing the question of long term control of the business.

If you have already taken steps to protect your business, we would encourage you to review the existing strategy.

These areas can be particularly complex for a business and the surviving shareholders/directors. However with careful planning this can be addressed. For example, the business can insure Directors or key people to cover high salary costs and/or to provide a lump sum to assist with replacement recruitment costs and/or help cash flow and business turnover.

The business as an entity can also protect itself in the event of the death of a shareholder with monies payable potentially tax free, to allow the business to buy back the shares of the deceased shareholder. This would assist cash flow for the deceased's family at a stressful time and would ensure control of the business is maintained.

This can be a very complex area and any strategy would need to ensure that company documents such as shareholders agreements, Memorandum and Articles of Association as well as Director service contracts all complement each other and where appropriate are enhanced by additional agreements to allow the business aims and objectives to be met.

If you have already taken steps to protect your business, we would encourage you to review the existing strategy.

- Are the existing arrangements up to date?
- Are the levels of cover still appropriate for the size of business?

- Is everything in order to ensure any payments are paid out in a tax efficient manner and to the correct people?
- Are all the correct agreements and legal documents in place?

McCrea Financial Services alongside trusted partners in the legal profession, offer a service where we fully review your business requirements. We work with you to consider the key financial risks to your business, the obligations the business may have, as well as the challenges the Directors/Owners may face in the future. We then help you address these areas to allow you to concentrate on what you do well without the worry of "what if".

If you would like assistance ensuring your business is fully protected please contact us.

The Financial Conduct Authority does not regulate taxation and trust advice.