



David's Business Owner Advisory #4

8 Survival Tips for an Owner's Spouse

By David Wimer, Author of *INSIGHT*

This set of tips is directed specifically to the spouse of a business owner.

We never enjoy thinking about disasters, but they happen more often than anyone would wish. Few situations have more potential for small business disaster than the sudden death or incapacitation of its owner. And no one feels the impact of the disaster like you, as the owner's spouse, do.

I have experienced situations where a business lost much of its value as the spouse either learned to take over or until new leadership was found. I have also known cases where one or more partners took advantage of the situation to strengthen their personal financial position at the expense of the original owner's family. I have experience working with spouses in these difficult circumstances and have found some simple steps that can be taken by the business owner and spouse to protect themselves and their assets. You and your owner-spouse should work through these steps together before a crisis occurs to ensure that unnecessary problems are foreseen and minimized.

1. Know the Key Management.

Step one is to understand who can operate the business in the event of crisis. Who can be relied upon for the facts and answers? It may be the General Manager, Vice President, or Controller. The important thing is for you to know, in advance, who can "take charge" and what level of authority they will have to make decisions. Also, agree on how interim reporting to you occurs.

2. Know the Key Support Professionals.

The business most likely has a CPA and a Corporate Attorney. You should meet with each to be sure they understand what is to be done in accordance with the joint estate plans, and your spouse's wishes. You might also consider independent oversight of the business for an interim period if your spouse becomes incapacitated. Your insurance broker and banker contact information is also critical. The business' key professionals can be very supportive especially when they are kept informed. There's no need to do this alone.

3. Know Your Cash Position.

You have personal bank accounts and corporate bank accounts where cash is maintained. Knowing the account details and where these funds are located is vital in order to avert an unexpected business or personal cash flow crunch. In an emergency, reach out to each of the bank Branch Managers and business Commercial Lenders to alert them of the situation. They will work with you.

4. Have a Durable Power of Attorney in Place.

Bankers and other professionals will understand a Durable Power of Attorney and will work with you while your spouse is hospitalized or until new leadership is put in place. Your estate or business attorney can have this drafted. Get the advice of someone who has successfully dealt with business transition. Guidance helps save time.

5. Know Your Key Documents.

You should have ready access to your Wills, Trust documents, and all relevant business documents and agreements. I recommend placing copies of all relevant documents in your own safe deposit box or home safe. You should also know the passwords for the business computer, your spouse's computer, and any personal assets such as brokerage accounts. Confidential document vaults in the cloud are available and many are free through your broker.

6. Get Monthly Financial Statements.

In a crisis, you'll need to understand how the business is performing. Your family has the most at risk. As an exercise, have executive management explain the current financial condition of the company at least once per year. Attend a Board Meeting and listen to the reports of executive management. Also, attend an end of year or tax meeting at least once a year with the CPA to understand the health of the business, taxable implications, major capital investment decisions, and financial guarantees. Learn about the business as you would your personal brokerage account.

7. Understand Value of the Business.

Value is what the company may be worth to a third party. Making any major, long-term business transitions or investment decisions must be delayed if possible until the fog of crisis lifts. That way there are no regrets down the road. But understanding the value from an independent source is a key to making capital investment decisions when the owner is unable to do so. The business must operate!

8. Do a Fire Drill.

Once a year, make sure that you test the data for your plan. Make sure you cover any major changes from the prior year. Then call for dinner reservations and celebrate that your loved ones are covered for another year!

DAVID WIMER, BUSINESS ADVISOR & AUTHOR guides business owners, families, Boards of Directors, and other stakeholders through financial crises and business transitions. Wimer is Managing Principal of David Wimer Advisors, LLC and author of INSIGHT: Business Advice in an Age of Complexity (Create Space, 2014).