



# 8 Things Every Entrepreneur Should Do for Their Family

By David Wimer, Author of *INSIGHT*

**No** one likes to think about the jeopardy that sudden and unpredictable crisis can place on your business, finances and family. We know firsthand that as a business owner you must consider this possibility.

A large part of our practice is working with the business owner, their family members and spouses to protect from the negative financial effects of sudden, unpredictable events that may force an exit. In our work we have identified eight steps every owner should take to protect their family, in the event you are absent and they should need to confront that unplanned crisis.

- 1. Minimize family liability exposure.** While you may need to be personally liable for some or all of your business debt, do everything in your power to keep family members from becoming personally liable, too. Consider your life and disability insurance sufficient to cover all personal guarantees and at least 2 years of your income.
- 2. Have a family or estate attorney.** You need to have an attorney whose sole responsibility is to look out for your family in a crisis. A business attorney has primary duties to look out for the business. A family or estate attorney may be better suited to address both family members and business matters and how each would be affected by sudden crisis and any conflicts of interest.
- 3. Include your intentions for your business assets.** Your Will should specify not only who gets what with respect to ownership in the business, it also needs to spell out what responsibilities each heir may or may not have.
- 4. Know your Vendor Agreement Terms.** Consult with your attorney to see what occurs in death, divorce or disability. We have reviewed many vendor agreements with wide variations in terms of transferability, depending upon the brand. It is extremely important that your family know precisely -- if this happens, what happens next.
- 5. Invite your spouse to attend key meetings.** Allow your spouse to get to know management, partners and advisors. If something happens to you, your spouse will have to rely on these people to work through the business transition. Those relationships do not have to start from scratch.

**6. Keep your spouse regularly informed.** Real problems tend to occur when an owner suddenly dies or becomes disabled. Generally we find 85% of the franchise owner's wealth assets are tied up (illiquid) in the business. Most importantly, the business generates 100% of the family cash flow. Your spouse (or other primary heir) has a need-to-know on a regular basis, how the business is performing in the event of a crisis. Difficult times require informed decisions, and having business context for making the right decision is critical. If you keep it all to yourself, surviving the crisis without your insight may be impossible.

- 7. Create a Business Protection Pack** – You should maintain separate copies of:
- All legal business documents
  - All monthly, quarterly, and annual financial statements
  - All tax returns
  - Bank statements
  - Employment contracts for key employees
  - Your succession plan (i.e., who you want to manage the operations of your business if you are no longer there)
  - Contracts with key vendors
  - Contracts with key customers
  - Insurance coverage: health, life, disability or long-term care
  - Computer passwords, bank passwords, safe combinations

These documents should be kept up-to-date regularly and in a safe deposit box at a local bank where your spouse/heir and your family attorney can have immediate access.

**8. Share the existence of the Business Protection Pack with your personal financial planner.** The importance here is easy access and insight from a key family professional that is providing financial advice to your family/heirs. Many financial planning brokers provide free cloud storage as a value-added service.

*DAVID WIMER, BUSINESS ADVISOR & AUTHOR guides business owners, Board of Directors and family stakeholders through financial crisis, business transition and transformation. Wimer is Managing Principal of David Wimer Advisors, LLC and author of INSIGHT: Business Advice in an Age of Complexity (Create Space, 2014).*