

How to Prepare for Every Stage of Your Business

The right insurance and financial planning strategy can help keep your business on course so you can achieve your goals no matter what stage your business is in — whether it's in start-up mode, entering a strong growth phase, becoming more established or nearing ownership succession.

Knowing what solutions are right for each phase of your business growth can help you better understand how to protect and maintain what you've worked so hard to achieve. There are key insurance needs at various business stages, and it's important to determine how well covered you are.

Start-up Phase: Commercial Insurance Offers a Solid Foundation for Your Growing Business

As your company grows, so will your need to protect it. Losses and unexpected business interruptions happen when you least expect them: a client is injured on your property, your business is vandalized or a fire erupts in the neighboring coffee shop and damages your office. If the worst happens, you want to know your company is protected.

Commercial property coverage protects against loss, damage or theft of your property, contents and other items. But what if you are facing lost income when you have to close your business for two weeks to repair fire damage? Be sure your commercial policy contains "loss of income from business interruption" coverage to help you pay rent, utilities and other fixed business expenses.

You may also want to consider purchasing liability insurance. General liability insurance protects you against claims of bodily injury and property damage, while E&O (errors and omissions) protects professional advice and service. E&O can shield the assets of professional service providers (eg. insurance agents, brokers, architects, accountants and lawyers) and pay the full cost of defending against a negligence claim made by a client and damages awarded in a civil lawsuit. For example, E&O could protect your accounting practice from being sued by a client to recover the penalties if you make a mistake on a deduction claim.

Growth Phase: Protect Your Key Team Members

Businesses in growth mode, more established companies and those preparing for succession can benefit from individual wealth and life insurance solutions.

In the start-up/growth period, small business owners may need to use personal guarantees for their business, exposing personal assets to litigation or bankruptcy. Individual wealth products can potentially provide some level of creditor protection for owners and their families. As part of an insurance contract, assets held in a segregated fund may be protected from creditors in the event of bankruptcy or litigation, so they can be an effective way to safeguard at least part of your financial assets.

Astute individual wealth and estate planning also protects growing small businesses from the sudden loss of key team members if they become critically ill, disabled or die. Replacing lost revenues and providing the necessary funds to pay expenses is essential for the business to remain successful.

You can manage risk by insuring key team members through term life insurance and buy-sell agreements. If a key team member dies, term life insurance provides funds to the business while it adjusts to and deals with the resulting transition. Disability insurance can also help offset lost revenues if a key employee becomes disabled.

If a key business owner dies and a buy-sell agreement is in place, its provisions will provide funds for the heirs, employees, creditors and surviving partners to cover expenses.

Established Phase: Employee Benefits and Retirement Savings Contribute to Business Performance

Established businesses need to attract top performers, avoid costly turnover and enhance employee satisfaction. Showing employees your business is committed to their health and well-being contributes to your company's success. For example, your business may offer a comprehensive benefits plan that attracts and retains qualified employees who provide your business with a competitive edge.

Group benefits that offer employees financial protection from expenses associated with illness, injury, hospitalization, dental and medical care can be affordable since protection ranges from basic to comprehensive coverage. Basic coverage typically includes health and vision, dental, life and disability protection. More comprehensive coverage can include prescription drug plans, emergency medical travel assistance and health spending accounts.

Aside from offering group benefits plans, established companies use retirement plans to help reward their employees and help them save for retirement. For example, employer-sponsored retirement programs help your employees save money while reducing and deferring taxes.

Today's retirement plans are easy to understand, simple to administer and flexible enough to meet different investment styles. For instance, some plans let employees choose a fund that is managed with their planned retirement date in mind - this type of fund is automatically made more conservative as the employee approaches retirement making it a one-step and easy investment decision. Others allow employees to manage their investment style and risk tolerance by selecting pre-packaged portfolios designed by an investment expert. Other companies prefer plans that allow employees to design their own investment portfolio from funds managed by leading investment firms.

Taking the right steps to fully insure your business now will help you continue your business success and exceed your financial goals.

For more information, please contact your advisor or visit www.cooperators.ca.