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## Insurance Needs for Small Business Owners

Apr 09 2018

For many small business owners, what began as a bright idea or an innate desire to exercise their entrepreneurial spirit turned into a new enterprise with the promise to provide for them and their families. Even the most successful small businesses are significantly reliant upon the continued health, vision and skills of the business owner or a key person. Without the owner or key person, the likelihood of the business continuing is greatly diminished. It can mean instant death for the business with devastating consequences for the owner, employees and their families.

Instead of putting money in savings or investments, many business owners are more apt to plow it right back into their business. When contingencies arise, they either need to borrow money or sell business assets. The bottom-line for many small businesses is that, if any unexpected interruption in their cash flow occurs, they may lack the resources needed to sustain them for even short periods of time.

Business owners are usually very adept at planning for business risks such as competition, market changes, and operational problems, but very few plan effectively for such risks as their own disability or death. While their business is prepared to recover from anticipated business risks, their business and family is left financially vulnerable should the owner fail to show up for work. Protecting a business and a family against the possibility of the death or disability of a business owner or key person is the cornerstone of any business plan.

**Disability Protection** - What would happen to your business and your family if, due to an accident or sickness, you couldn't show up for work for an extended period of time? A disability income insurance policy protects against the loss of income due to a disability, and a business overhead expense policy can cover many of the expenses associated with keeping the doors open for a period of time.

**Life Insurance**- Similar question, what would happen to your business and family if you had died last night? Life insurance can protect you and your business in a number of ways. First, it provides the capital your family will need to meet their immediate cash and income needs.

Second, life insurance can protect your business from the loss of a key employee without whose special expertise or skills would cripple the ongoing operation. By having insurance on the life of the key person, the death benefit provides a lump sum, tax free, that can be used to replace lost cash flow and fund the person's replacement.

Third, if you are a partner in a business, life insurance is essential to protect the business in the event of the death of a partner. Life insurance proceeds can be used to buy the partner's business interest from their family. Otherwise, the family could insist on the sale of the business or an ongoing income in order to receive their interest.

On the surface, insurance is a simple concept a promise of future capital for a small current premium. However, when used to address business needs, additional tax and legal implications need to be considered. Structuring insurance policies within certain business arrangements requires careful planning and implementation.

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Questions about small business insurance?

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