

# Warning Business Owners!

By Glenn Watts

**Don't let your business have unprotected success! If you don't act now you could be facing financial ruin sooner than you might think!**

**S**o what's unprotected success and how will I save your business from financial ruin? Well its simple. The majority of businesses do not have a financial rescue plan in place! What is a financial rescue plan and why don't businesses have them?

Well that's an easy question to answer. I will answer this in 2 parts. The first and this is the most important point, nobody communicates to new and old business that they need to protect themselves against their own success! And secondly when somebody actually does communicate that a business needs protecting the business owners probably won't take it seriously and often think the solution is way too costly and not actually required as it will never happen to them!

Ok so what's your point and why do I need to be protected from my own success? All will be revealed soon. Let me show you an example of what I mean by unprotected success before I can tell you how I can stop this from happening.

Let's begin. So you start up a new business with Directors B & C. All the directors have equal shares and you each put in £50,000 of your own money! On top of that you borrow lend a further £100,000 from the bank as working capital.

All goes well for the business and you go from strength to strength taking on more staff and expanding. In 10 years you are very successful and have borrowed more money to expand further. Now this is how you become victims of unprotected success!

During the forming of the business you all decided that every penny counts and that you wanted to spend your limited resources on marketing, product development, research and websites. Now you didn't take the advice of your accountant as you did not see the relevance and thought his advice too negative, not realistic and a cost you could ill afford each month. Understandable yes, the right choice no!

You will see why you have to choose wisely and not by driven by cost. It is all relevant.

Well the inevitable happened. Director B died suddenly. Totally unexpected. He thought he was going to live to a ripe old age and would retire on his yacht! It is inevitable that on average 1 person every minute dies in the UK. We all know that death is the only thing guaranteed in life and yet we all choose not to talk about it and adopt a "won't happen to me attitude"!

Be honest, you know I am right, right!  
So the big question what happens to the business when a Director dies. Well I shall sum it up very quickly here is a basic overview: Firstly the banks may well call in the large loan the directors



have jointly. They will also probably stop any revolving credit or overdrafts too.

Then the deceased's family will then request the £50,000 directors Loan agreement be paid ASAP

The deceased director's family may wish to sell the directors share or run the business themselves! Would you like your business partner's family running YOUR business with you?

You want to buy the shares even if you had the correct agreements already in place you probably couldn't afford to buy the shares from the family as you have just lost all your credit facilities and the staff and suppliers need paying!

There would be a huge increased work load on the remaining directors as you each have your own unique skills. There will probably be less productivity, drive and enthusiasm by the staff. Word will soon get around you are struggling and your competitors will muscle in. Let's face it, you would capitalise if it were you.

Your suppliers will stop your credit as they will find out you are having funding issues as you probably haven't paid them! Finally the business cannot afford to trade any longer. It all comes crashing down. The banks call in their personal guarantees and the surviving directors lose their homes as well as their business. So the solution and this is the easy bit. Insurance and no it's not expensive! It's a genuine business expense the same as any other cost to the business and let's be honest if it allows your business to trade it shouldn't matter how much it cost as long as you can make a profit!

A business is only worth as much as its directors and staff whichever way you look at it. So protect yourself from the inevitable and don't be a victim of your own success! ■

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