

# THE “ONE PAGE, ONE POLICY SUCCESSION PLAN”

[One Page Summary]

## One Page Succession Plan

- Your business succession and personal estate planning needs can be summarised on one page (“a One Page Succession Plan”);
- Assume you have the following Business and Personal Needs:
  - ✓ The value of your Asset or Equity in the Business is **\$400K** (Asset or Buy/Sell Need);
  - ✓ You have jointly and severally guaranteed the debts and liabilities of the Business, of which your proportionate share is **\$200K** (Debt Reduction or Key Person Cover); and
  - ✓ You require a total of \$1M, so that when invested at 5%, it will generate living expenses of \$50K per annum for your family (your “Total Capital Requirement”);
  - ✓ If the sale of your Asset will contribute \$400K, then you require additional cover of **\$600K** (Personal Cover);
- In summary, you have three separate Needs totalling \$1.2M;
- Insuring your Asset (\$400K) pre-agrees the Sale Price of your Asset and ensures that it is fully funded (i.e., it guarantees a “floor price” for your Asset);
- You cannot ensure that the Sale Price of your Asset has been safely passed onto the Beneficiaries of your Estate, unless you have extinguished your Liability for Business Debts as a result of Personal Guarantees (\$200K);
- The Asset (\$400K) and Personal (\$600K) Insurance Proceeds both contribute to your Total Capital Requirement (\$1M);
- As the Pre-agreed Sale Price of your Equity increases over time (e.g., from \$400K to \$500K), your Personal Cover can be reduced (e.g., from \$600K to \$500K);
- As long as you have the right total of Asset and Personal Cover, the composition of the total is secondary (although still important);

## One Policy Succession Plan

- The Insurance for your One Page Succession Plan can be arranged in two alternative ways:
  - ✓ Multiple Policies; or
  - ✓ One Policy;
- A “Multiple Policy Succession Plan” addresses each need on separate Policies held by different Policy Owners;
- In contrast, a “One Policy Succession Plan” creates an Insurance Facility that addresses all of your needs on One Policy held by a Trustee on your behalf;
- As your needs change, a “Multiple Policy Succession Plan” requires administrative changes to the individual Policies (including medical tests and underwriting requirements that you might not be able to satisfy);
- If you have a “One Policy Succession Plan”, all you have to do is “change the mix” of the total Sum Insured;
- You would not need to deal with the Insurance Company (or satisfy underwriting requirements and medical tests) unless you needed to increase the total Sum Insured.