



Ohio National
Financial Services®

Big Issues for Small Business Owners



Small Business
Strategies & Solutions

How to deal with some of the things
that keep you up at night



"A failure to plan is a plan for failure."

Business is great. Now what?

You love owning your own business. So you pour all your energy, vision, knowledge and will into building a successful company – and then what?

How do you keep it going for the next generation of leadership? And how do you protect it today from the potential loss of a partner or key employee?

These and other concerns can rob you of a good night's sleep. Think about three areas in particular.

Three areas of need

Your company faces three basic concerns about the ownership and key employees that require advance planning.

1. **Protecting the operating team of your business** – the human capital component;
2. **Planning for ownership transition** – the continuation of your business; and
3. **Providing for outstanding talent** – recruiting, retaining and rewarding key people.



Protecting the operating team

Your people are at risk

Risk is a fact of business life. All the assets on your balance sheet are at risk of loss or impairment; so are your human assets. You either carry this risk yourself, supported by the retained earnings of your business, or you transfer it to an insurer. Consider these “what if” scenarios:

- **What if you died unexpectedly?** Could the company go on without your leadership, skill, and knowledge?
- **What if another principal or key employee died prematurely?** Who would take his or her place and help keep the business running?
- **What if the scenario involved disability instead of death?** Could the business support you or another key person if disability struck either of you?

A qualified business insurance professional can help you prioritize these risks and identify the alternatives for managing them. Insurance-based solutions can be designed expressly for small-business owners.

Life insurance is ideally suited for protecting the business against the loss of an owner because the event that creates the need for cash flow or emergency funds (the owner’s death) also creates the funds to supply the need – the death benefits from the policy.

Disability income insurance provides a customized monthly benefit to support a disabled owner or key employee. Thus, the business isn’t forced to pay an income to a non-contributing member at the very time the company has lost that person’s services.



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Planning for ownership transition

More 'what-ifs' to think about

What if you or another co-owner passes away, and the company is able to continue, but the family of the deceased owner wants its fair share of the business? How do you resolve the ownership situation then? And what if you become disabled – could the business buy your interest?

Planning for continuation of ownership is perhaps *the fundamental need* of any closely held business, especially one that has more than one owner.

A proper continuation plan should take into account three outcomes: death, disability and retirement. The solutions available can be surprisingly simple and affordable.

Most small businesses that plan for ownership transition use a buy-sell agreement that specifies the terms of buying out the interest of a disabled owner or, in the case of death, the survivors of a deceased owner. The advantages of having an agreement in advance are obvious:

- It establishes an objective, predetermined valuation amount (or valuation formula) for the disabled/deceased owner's share, agreed upon by all parties;
- It creates an immediate market for liquidating a disabled or deceased owner's share;

- It also establishes the value of the business for tax purposes; and
- It provides a means for financing the buyout, usually through disability income insurance or life insurance.

At some point, you will choose to retire. Then the big question is, from what sources can you receive retirement income? Can your ownership stake be converted or liquidated into retirement assets?

There are other tools and techniques, such as a non-qualified benefit plan, to help you get the value out of the business without disrupting the firm's operations or compromising its financial health. These issues and solutions should be a part of your long-range planning.



Providing for outstanding talent

Keep your best people

You already know how tough it is to attract talented people to work for you. The best people have many choices for employment and can get what they ask for. If you win the competition for their services, your next challenge is *retaining* them long enough to get them truly rooted into your firm. You do that by *rewarding* them beyond their regular compensation, through specific benefit programs.

This usually means going beyond the standard qualified retirement plan, e.g. a 401(k) or some other defined contribution plan, which have limits on contributions and payouts. Non-qualified plans are subject to far fewer government regulations and allow you to establish deferred compensation for your key people, funded by company contributions that are in many cases tax-deductible. Many types of deferred compensation arrangements are used throughout the small business world to help recruit and retain the best and brightest upcoming or experienced talent.

A photograph showing two men in business attire (white shirts and ties) sitting at a table, smiling and looking towards the camera. They appear to be in a meeting or collaborative work environment. The background is blurred, showing other people and office lights.

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Why Ohio National?

You have a number of excellent companies to choose from for your business insurance. Ohio National is in the top rank of life insurers serving the small business market, for several good reasons:

Financial strength

Major independent analysts of the insurance industry give Ohio National high ratings for claims-paying ability and financial strength. (For details, go to [www.ohionational.com/About Ohio National/Financials and Ratings](http://www.ohionational.com/About%20Ohio%20National/Financials%20and%20Ratings).) More important, perhaps, than the ratings themselves is the fact that Ohio National's ratings *have not changed* since 1991.

Mutual heritage

Because of Ohio National's mutual company heritage, the management view is long term. Thus, we are free from the pressure for short-term results – driven by the 90-day earnings cycle, for example –

that stock companies (including most major insurers) are under. Ohio National's emphasis has always been on prudent, conservative long-term management in the best interests of our policyholders.

Outstanding professional representation

More than 10,000 field representatives across the country have chosen to affiliate with Ohio National. They are well trained, experienced advisers who, in many cases, have multiple licenses and professional designations in financial services.

High-performance products

Ohio National has a long tradition of maintaining remarkably competitive individual life insurance, disability income insurance and annuity products.

No better time to start planning

- Protect your key people.
- Prepare for the inevitable transition of ownership.
- Provide valuable, targeted benefits to attract and retain talent.

Call your financial representative today!



Ohio National
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Life changes. We'll be there.®

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Tracing its corporate origins to 1909, Ohio National markets a variety of insurance and financial products in 47 states (all except Alaska, Hawaii and New York), the District of Columbia and Puerto Rico, with subsidiary operations in Santiago, Chile. We are committed to building long-term relationships with our customers and to providing them with solutions as their needs change over time.

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