

# Inc.

## INSURING THEIR FUTURE: ESTATE PLANNING CONSIDERATIONS FOR ENTREPRENEURS



November 23, 2021

Entrepreneurs take steps to insure their businesses, homes, and employees. But many overlook insuring their family's future. According to a 2021 study by Caring.com and YouGov on how the COVID-19 pandemic has affected Americans' views on estate planning, two out of three adults do not have a will. And, for the first time, 18- to 34-year-olds are more likely to have a will than 35- to 54-year-olds.

A will is one of several tools entrepreneurs can use to provide for their loved ones. While it is scary to think about, life is uncertain. Effective estate planning means creating a plan to achieve goals while you are still living so that your loved ones are cared for and protected after your death. It is an ongoing process that can be especially complicated for small business owners, but it is essential to preserving your legacy.

### Understand estate planning

An estate plan can provide your family members with income and cash payments for estate expenses, including federal estate taxes, after your death. An estate plan details how assets, including ownership interest in your business, should be distributed to family members and other heirs.

Depending on your business and financial situation, an estate plan may simply in-

clude a will and life insurance. It also can include other savings, business continuation plans, and trusts.

Your estate planning team should include an attorney, tax adviser, or investment professional, and an insurance agent. Together, they will help you determine the best tools and strategies to achieve your goals.

### Solve a common small business challenge

Small business owners are often "asset rich, but cash poor," and that can make estate planning challenging, says Neel Shah, a certified financial planner and estate planning attorney with Shah & Associates in Monroe Township, New Jersey.

"This is because of the illiquid nature of a small business, which can create problems when a business owner passes away or becomes incapacitated and there's a need for liquidity," Shah says.

Investing in life insurance is a common solution for business owners. Life insurance can provide liquidity when you die so loved ones have immediate access to funds to pay taxes, other transfer expenses, and debts. Life insurance also can provide a source of income for your family, funds for running your business, or money to buy out a business partner's interest in your company.

"Business owners can and should evaluate life insurance needs on a regular basis, both for liquidity needs for the family, as

well as in a succession planning/buy-sell agreement type scenario," Shah explains.

### Consider tax-savings opportunities

To lower tax liability, Shah says entrepreneurs should incorporate a combination of 401(k) plans, defined benefit plans, cash benefit plans, and other retirement strategies. To save tax-free for children's education, consider a 529 savings plan. With this tool, you also can invest money for your grandchildren or other heirs.

Life insurance provides tax benefits, too, as proceeds pass to beneficiaries generally tax deferred. Other strategies for reducing or eliminating federal estate taxes include passing property to your spouse so it is eligible for an unlimited marital deduction; opting for unified credit, which allows you to pass a certain amount of property, tax deferred, to heirs other than your spouse; and implementing a gifting program to reduce the size of the taxable estate.

### Communicate, communicate, communicate

Communication is one of the most important elements of estate planning and succession planning and the process of preparing people for future leadership roles, including company ownership.

Talk to your loved ones about your plans for the business in the event of your death, to ensure everyone is on the same page. When making tough decisions, such as who will inherit assets, communicate the logic behind your choices.

Neel Shah, managing attorney of the law firm of Shah & Associates is an attorney, financial advisor and author who provides insightful analysis and actionable strategies for Business Owners, Entrepreneurs, and Investors.



To contact Neel, call 609-277-3887 or visit [www.beaconwealth.us](http://www.beaconwealth.us).