

# Business Succession Planning

Critical illness, total and permanent disability or the death of a business owner can severely impact a company's day-to-day operations, jeopardize its prospects and undermine both employees' hard work and shareholders' investments. To ensure business continuity, having a carefully planned, structured business succession strategy in place is essential.

## Benefits

- ◆ Create a buying interest in your business
  - Identify a potential buyer and set a fair purchase price for your business before you pass away.
- ◆ Ensure smooth transition
  - Arrange the transfer of your business interest to the co-owners, family members or key employees of your choice.
- ◆ Provide liquidity for your business
  - A business succession plan could help settle part or all of the outstanding liabilities of your business.
- ◆ Improve your business' stability and minimise credit risks with a business continuation plan
- ◆ Life insurance can be used as a cost-effective funding tool for business succession planning because:
  - It provides additional cash to help maintain uninterrupted business operation if a key business partner passes away or suffers a critical illness.
  - It allows you to change the life insured to reflect a new management structure.
  - It may enable you to buy your business partners' shares if they pass away or suffer a critical illness and their families do not wish to maintain an interest in the business.

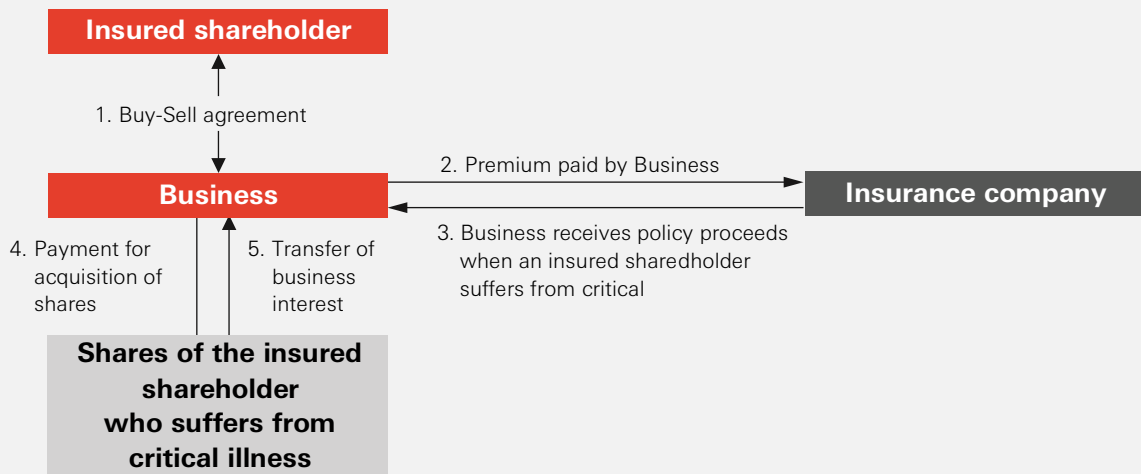
The product features stated above could be from more than one individual life insurance plan. Please note that insurance product features vary among different plans and are subject to underwriting approval. Please refer to the Product Brochure of the relevant insurance plan for more details. It is recommended that you seek advice from our Insurance Sales Managers if you are looking for any specific product feature.

## Typical Business Succession Planning Techniques:

The information shown below is intended as a hypothetical case, it is a general summary and for illustration purpose only.

### Entity buy-sell agreement funded by life insurance

This works best with four or more shareholders. Shareholders and Business enter into a buy-sell agreement – in case an insured shareholder is unable to work due to critical illness, Business can acquire the shares of the insured shareholder (who suffers from critical illness) by using the policy proceeds from the life insurance policy owned by the Business (with the shareholders of the Business as insured) thus keeping the business running smoothly.



## What's next?

For more information about our business succession planning solutions, please visit any HSBC Business Banking Centre, call 2748 8238 or speak with your Relationship Manager for referral to an Insurance Sales Manager.

## Important Notes:

- All life insurance products are underwritten by HSBC Life (International) Limited (incorporated in Bermuda with limited liability). Policyholder is subject to the credit risk of HSBC Life (International) Limited and If the policyholder discontinues and / or surrenders the insurance plan in the early policy years, the amount of the benefit he / she will get back may be considerably less than the amount of the premium he / she has paid. Any insurance products mentioned in this document are not equivalent to any bank deposit or savings.
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