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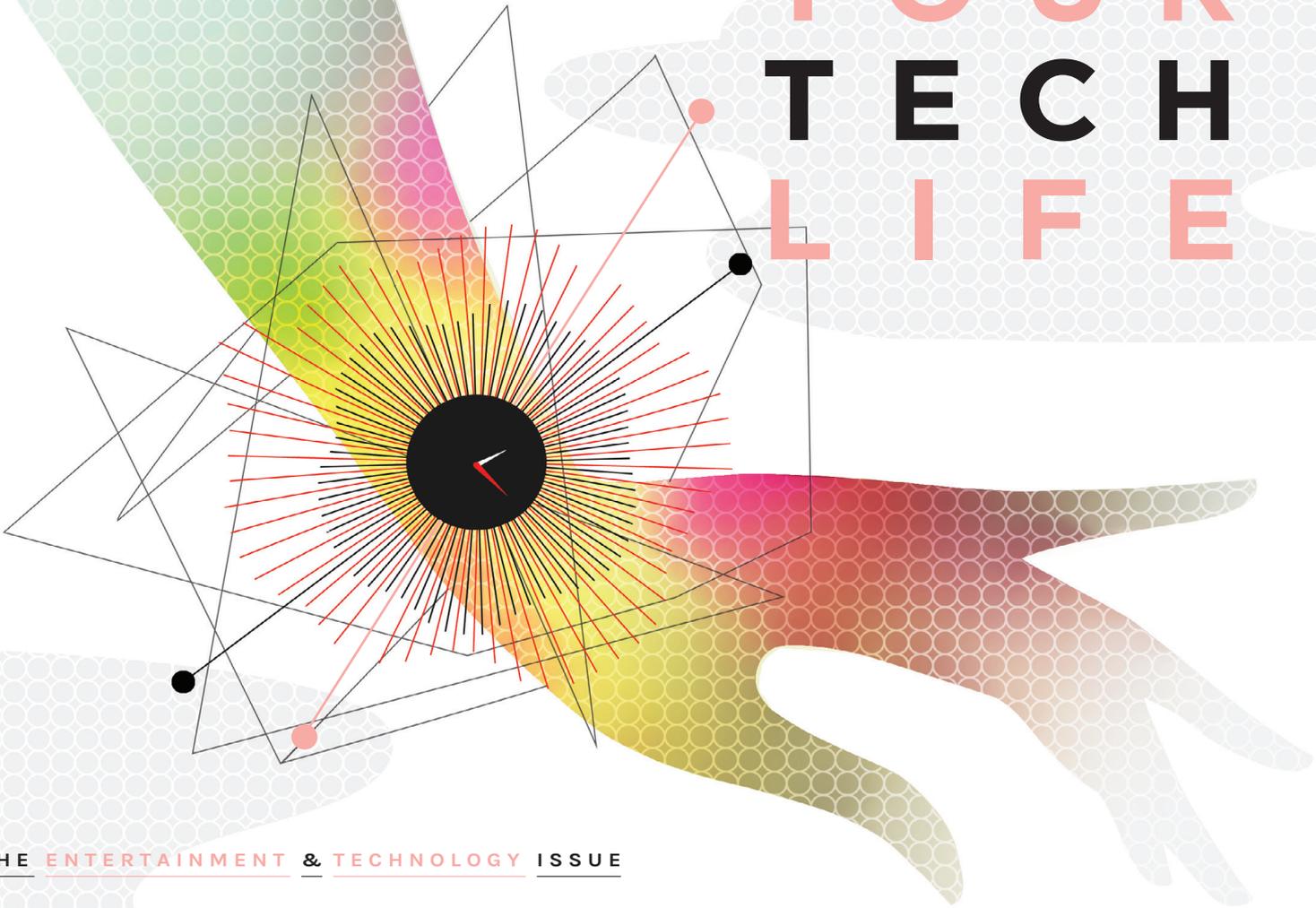
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## International Wealth Protection, LLC, an Independent Agency of Transamerica Life Insurance Company

Mary Oliva, President

# “How can life insurance help with legacy and continuity planning for my business in Latin America?”

By Mary Oliva

**While advising wealthy clients in Latin America about personal and business continuity planning, we've found that a significant part of their net worth often results from a family-owned business.**

The EY 2014 Business Study estimated that 85 percent of businesses in the region are family-owned, compared to their global counterparts, at 65 percent. Further, these Latin American-based businesses' economic contribution generates 60 percent of the GDP and 70 percent of employment.<sup>1</sup> Yet, interestingly, family-owned companies in the region face unique continuity challenges and rarely have a strategic plan in place to ensure: (1) orderly transfer of power from one generation to the other; (2) identification and protection of a key individual who will assume the leadership position; (3) effective equalization and distribution of shares among active and nonactive family members.

A sound business continuity plan can help protect the family-owned business and your family from events like illness, injury or even death. Continuity planning can help to secure your family's legacy and grant you peace of mind.

Herewith, I will highlight two important issues that can be solved through appropriately designed life insurance plans. Key person protection and buy-sell agreement funding both provide your company the ability to generate cash, when needed, to mitigate the loss

to the business upon the sudden departure of a key person, or provide a structure to transfer the business to active and nonactive partners.

**Key Person Protection:** Loosely held businesses often rely on human capital in the form of key owner employees and nonowner employees. The loss of this individual's services due to death or disability may culminate in the loss of income for the business, resulting in unsustainable debt, or require a higher salaried employee as a replacement or even force the operation to go out of business or be sold.

A business can purchase a life insurance policy on the life of a key employee to cover such risks. Key person insurance can provide a benefit to the employee: Once the employee retires, the company can retain the policy, use the policy to supplement his or her retirement income or transfer the policy to the employee outright. In certain jurisdictions key person protection is a tax-deductible expense.

**Buy-Sell Agreement Funding:** Most business owners want to avoid the disruption or failure of their business when they die. A suitably designed buy-sell agreement funded by life insurance can help the business continue forward seamlessly, generating cash needed to complete all transactions and ensuring it is passed to the appropriate parties for a reasonable price.

There are many reasons to implement buy-sell agreements. Avoiding the uncertainty that occurs among surviving co-owners is a common motivation. Additionally, pressures may be placed on surviving owners to distribute business income to the decedent's heirs after the corporate shares are transferred.

Funding buy-sell agreements through the use of life insurance will generate cash when needed and provide the owners the ability to manage an unfortunate event, should it occur. While there are other considerations in a business continuity plan, business owners who are prepared can help their business, employees and families navigate a difficult time. 

### DID YOU KNOW?

- There is a 34% chance a partner will die before age 65 in a partnership with three members, ages 50 to 60.<sup>2</sup>
- 56% of Latin American companies do not have a business continuity plan.<sup>3</sup>
- 90% of Latin American companies managed by families are out of business before the third generation.<sup>4</sup>

<sup>2</sup>National Underwriter Guide to Estate Planning, Business Planning and Employee Benefits, 2012., pg. 176-179; <sup>3</sup>Revista de Negocios del IEEM. Universidad de Montevideo. Uruguay, 2013, pg 45; <sup>4</sup>“Making Business in Latam.” ESADE Business School, Barcelona University. Spain, April 2015.

<sup>1</sup>EY Family Business Yearbook 2014. Family Business in Latin America.

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*“Business continuity planning can secure your family’s legacy and lend you peace of mind.”*

—Mary Oliva

**How to reach Mary Oliva**

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**MY FAVORITE LATEST ADVENTURE WAS...**

*Zip lining “The Beast” in Puerto Rico’s Toro Verde —for 90 seconds I felt like Superman*

**WHAT MAKES A GOOD WEALTH ADVISOR...**

*Understanding that every client is unique. Possessing the ability to adapt and present solutions to meet their client’s specific needs.*



**WHAT I’M READING NOW...**

*The Great Gatsby and The Alchemist—I can’t read one book at a time.*

**About Mary Oliva**

International Wealth Protection provides wealth protection and transfer strategies designed to protect clients’ assets, sustain their lifestyles and safeguard their legacies. International Wealth Protection’s unique concierge approach provides private and corporate clients instant access to world-renowned experts, best-of-breed providers, highly rated competitive products and the highest standards of service. The firm is the single-source provider that is able to assist Latin American clients with evaluating and servicing the complete spectrum of risk. Founder and longtime industry veteran Mary Oliva is trilingual and travels extensively throughout the region. She understands its wealthiest citizens’ unique needs and challenges; more importantly, she has the knowledge, tools and acumen to effectively address them. She lives with her family in Miami, Fla.

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Country-specific advice relating but not limited to: General risk evaluation, fiscal responsibility, multi-jurisdictional tax planning, business continuity, multi-generational planning, extraordinary risks and charitable-giving strategies

ILLUSTRATION BY KEVIN SPROULTS



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