Print or digital

For producer use

Stamp a logo to customize

Fill in contact info

Flyer starts on next page

Delete this page

The 4 Phases of a Business Cycle

Businesses, like people, function on a life cycle. The **Start-Up phase** is where owners focus on basic needs for survival and daily execution. Next is the **Growth stage**, where the focus shifts to adding resources and personnel to capture as much market share as possible and drive revenue growth. The **Maturity stage** follows, where owners focus on continued growth, potential innovation, and long-term relevance and sustainability. And finally, a **Transfer stage**, where an exit strategy and efficient and effective transfer of the business to its new leadership becomes key. Each stage requires a different focus and, therefore, a different set of tools and strategies to help the owner accomplish their goals.

Start-Up Phase

Business owners are typically focused on the basics. Cash Flow, Product or Service delivery, and building their staff. Planning essentials for this phase include:

- **Health Insurance**
- **Property and Casualty Needs**
- **A Buy/Sell agreement**
- **Loan Indemnification**
- **Key Person Plans**

These items give the owner the basic tools to protect the young business and also to attract and retain key talent at this critical point in the business life cycle by emphasizing the most important focus points of this stage: cost and efficiency.

Growth Stage

Owners focus on becoming more competitive. How do they enhance their products, systems, and personnel to capture more markets and profits effectively? Proper planning can aid in these objectives, especially in the personnel area. Ideas in this space will include:

- **Qualified Retirement Planning**
- **Golden Handcuff type plans**
- **Updated Buy/Sell agreement**
- **Basic Estate Planning**

As the business grows revenue and overall value, it becomes more important to have these basic structures in place to protect the owners and employees.

The 4 Phases of a Business Cycle

Maturity Stage

The point at which most owners begin to take planning seriously. They consider generational and family issues that drive estate planning. Many are also looking at employees through a new lens. How do you reward those responsible for your achievements? How do you continue to attract the best people? When can you personally afford to slow down and enjoy what you built? Issues at this point will include:

- Estate Planning
- Supplemental Executive Retirement Plans
- Non-Qualified Deferred Comp
- Personal Tax Planning Strategies
- Long Term Care Planning

At this point, the owner is focused on protecting what they have built.

Transfer Stage

The focus shifts to who can and will take over when you leave. Every owner's plan will be different, but what is consistent is the need for a plan. Without a plan, you see fights and failures all too often. Owners should begin planning at least 5 years in advance of a targeted exit date to ensure sufficient time to properly evaluate both the “who” and the “how” of a well-executed business succession strategy. The areas to be evaluated include:

- Bequests
- Stock Redemption Plans
- Outright Sales
- ESOP’s

Timing, taxes, costs, along with the “who,” can significantly impact the correct strategy for the “how” and the “when.”

Support for Your Clients

Determining where a business is in its Life Cycle and what issues you should be discussing with your client can be assessed with a **few good questions.**

1. How long have you owned your business? Are you the sole owner?
2. Does your business have any debt that should be repaid by insurance in the event of the death of a Key Officer?
3. Do you employ any key team members who it would be difficult to replace if they quit today?
4. Would your business be impacted if a key employee passed away unexpectedly?
5. Have you considered developing programs to encourage the retention of key personnel?
6. Are you (and/or your key employees) finding that salary increases are less meaningful and effective because of the tax burdens?
7. Would you be interested in a (non-qualified) deferred compensation plan in which most of the benefits are for you and your key people?
8. When do you plan to retire? What percentage of your current income will you need when you retire? Could you retire today?
9. When you retire, how much money do you plan to get out of the business?