



For intermediaries only

Business protection – protecting your clients’ business and yours

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Why business protection?



Why business protection - learning outcomes

By the end of this section you'll:



- have a better understanding of:
 - why business protection is important, and
 - the opportunities that exist in this market.

Did you know?

There were **5.9 million businesses** in the UK at the start of 2019 – each with their own specific financial needs¹.



Only **56%** of advised clients that advisers believe should have cover, do³.

71% of advisers sampled had considered business protection for their own firm³.



An estimated **141.4 million working days** were lost due to sickness or injury in the UK in 2018².



Only **47%** actually had protection in place³.

¹ Department for Business, Energy & Industrial Strategy – Business population estimates for the UK and regions 2019, January 2020

² ONS, Sickness absence in the UK labour market:2018, November 2019

³ Aegon/Cicero Research, High Net Worth & Business Protection Adviser Research, March 2019

Why do your clients need your help?

Family

Business



Cash needed for employee's family when they die.

Tax-efficient life protection



Cash needed for employee if they're unable to work due to an accident or illness.

Executive income protection



Cash needed for:

- Loan repayments
- Loss of profits
- Recruitment
- Loan accounts

Continuity planning



Cash needed to buy the deceased or ill owner's share of the business.

Succession planning

Business types

Limited company



- Separate legal entity – distinct from shareholders.
- Must have at least one shareholder and one director.

Partnerships



- General partnerships don't need to register with Companies House.¹
- Separate legal entity in Scotland only.

Limited liability partnerships (LLPs)



- Corporate body with own legal identity.
- Individual members have a reduced personal liability for any potential business debts.

Sole trader

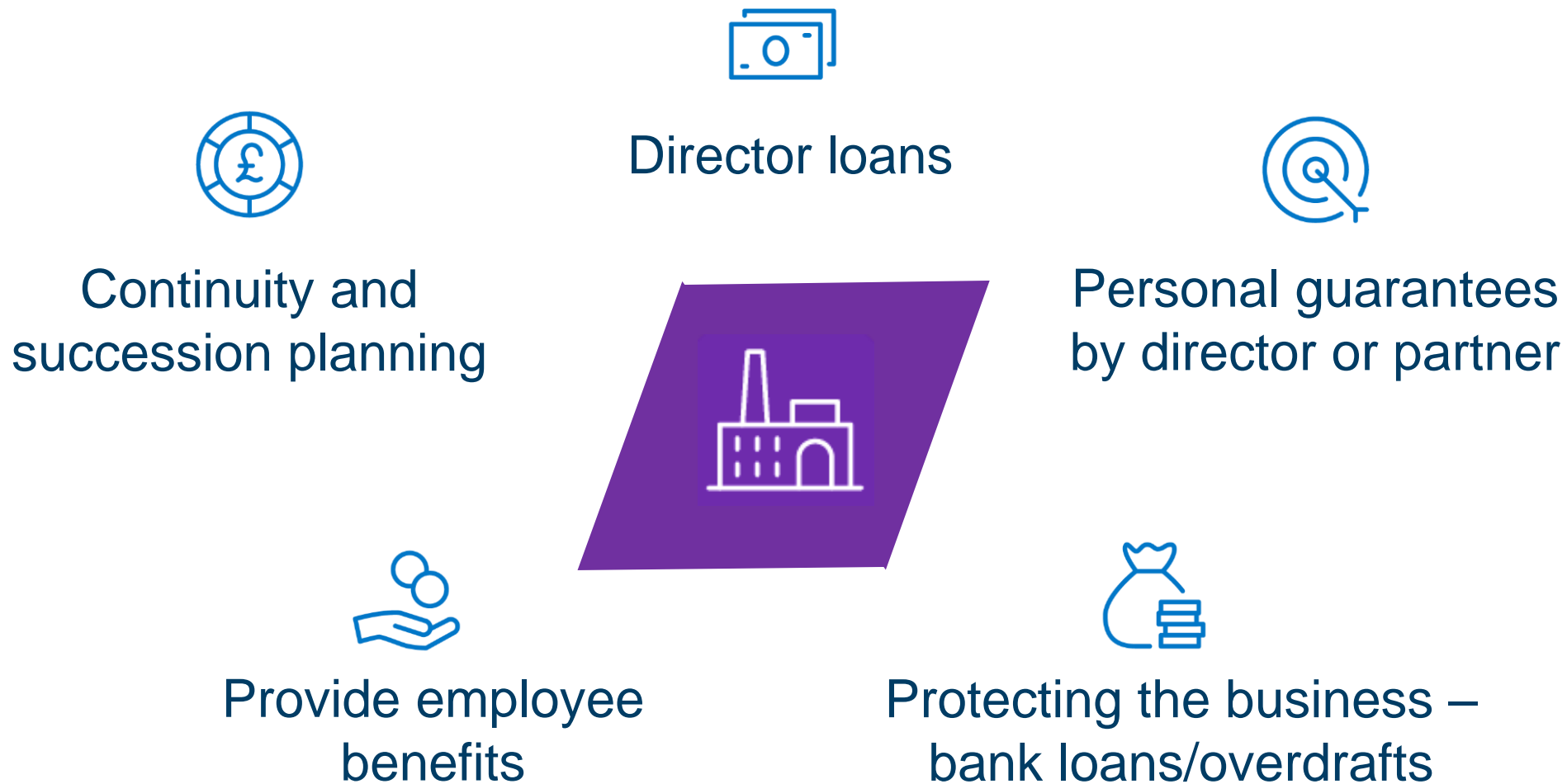


- Unincorporated business.
- May employ other people.

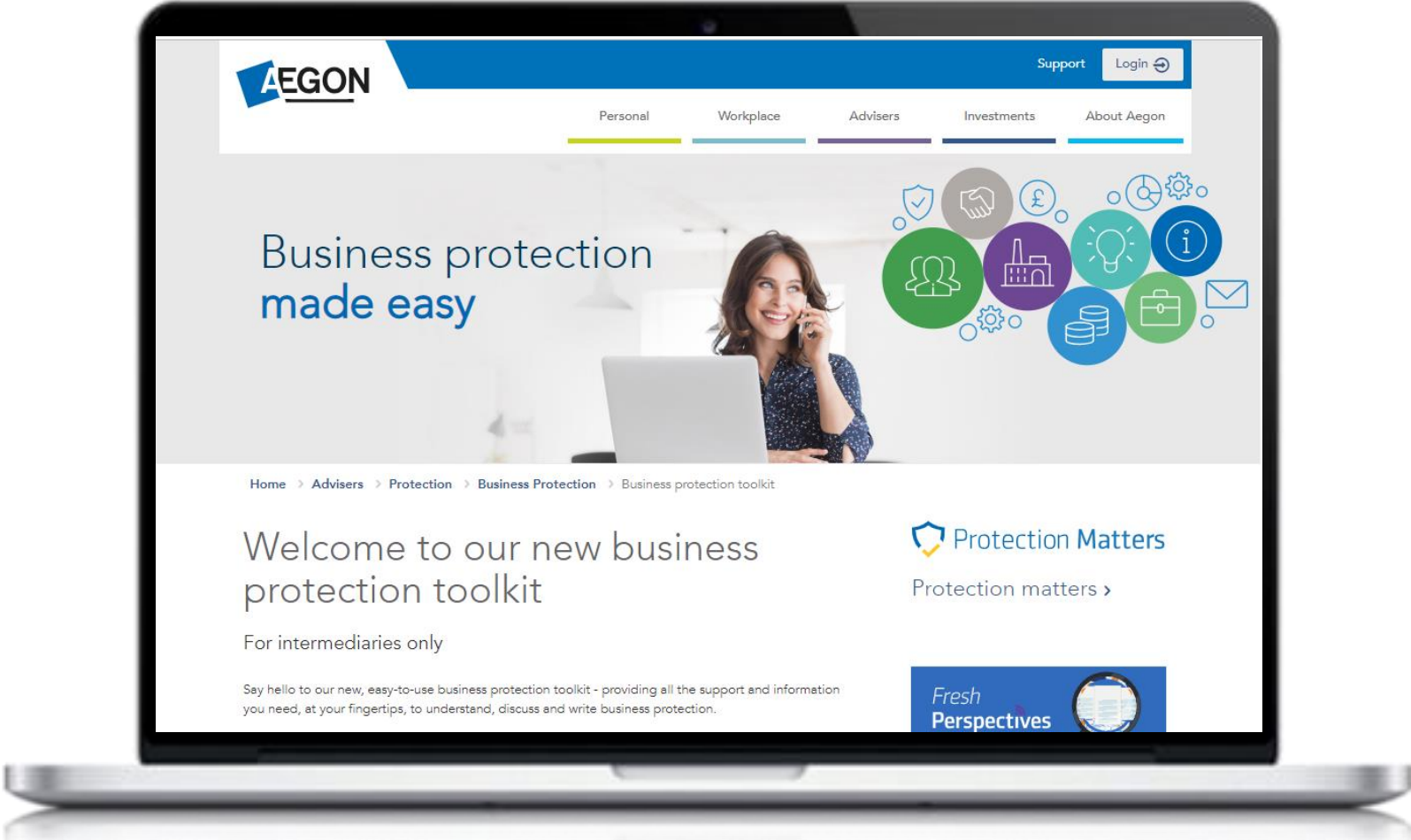
This information is based on our understanding of current taxation law and HMRC practice, which may change.

¹Limited partnerships and certain Scottish general partnerships would have to register with Companies House.

Why businesses need protection



Business protection made easy





Developing professional connections



Developing professional connections - learning outcomes

By the end of this section you'll:



- understand how working with professional connections can help in the business protection market.

Professional collaboration

Developing professional connections

We know what the barriers are to taking out protection:

Cost

Clients not interested enough

Clients don't see a need

Clients believe they'll create a 'Plan B' should the worst happen

i So, how do you simply, effectively and permanently overcome the barriers?

Professional collaboration

You need to capitalise on the opportunity

It's a team game



Financial adviser



Solicitor



Accountant

Professional collaboration

You need to capitalise on the opportunity

It's a team game



- ✓ Complementary skills
- ✓ Trust
- ✓ Commercial benefit for all
- ✓ A team leader

Professional collaboration

Advisers are best placed to be team leaders



Understand the client and their objectives



Can implement the solution through their own business or through working with solicitors/accountants



Can assess and establish the risks



Can explain the risks



Can create the solution

Professional collaboration

Why?



New client
referrals

Professional collaboration

Why?



New client
referrals



New income
streams

Professional collaboration

Why?



New client referrals



New income streams



Holistic financial planning

Professional collaboration

Why?



New client referrals



New income streams



Holistic financial planning



Add value – advice **not** transaction

Professional collaboration

Why?



New client referrals



New income streams



Holistic financial planning



Add value – advice **not** transaction

Reciprocal earnings

Advisers

- Financial planning
- Wealth planning

Solicitors

- Trusts and agreements
- Companies Act
- Wills
- Articles of Association

Accountant

- Profit/loss assessments
- Valuation
- Taxation
- Clearances

Professional collaboration

How?

Business protection made easy



Build
relationships

Professional collaboration

How?



Build
relationships



Make
contact

Professional collaboration

How?



Build
relationships



Make
contact



Make your
case

Professional collaboration

How?



Build
relationships



Make
contact



Make your
case



Trust

Professional collaboration

How?



Build
relationships



Make
contact



Make your
case



Trust



Agree how you'll
offer financial
advice/solutions

Professional collaboration

How?



Build
relationships



Make
contact



Make your
case



Trust



Agree how you'll
offer financial
advice/solutions



Identify the
opportunities

Professional collaboration

How?



Build relationships



Make contact



Make your case



Trust



Agree how you'll offer financial advice/solutions



Identify the opportunities

For intermediaries only



Guide to developing professional connections

Seven steps towards a successful business relationship with professional connections.

This booklet takes you through the process step by step – from making that initial contact through to developing and maintaining the relationship, and then keeping it running.

This communication is for intermediaries only. It mustn't be distributed to, or relied on by, customers.

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Continuity planning



It won't happen to me

Cancer

Life changing events are taking place every four minutes in the UK.

Every **4** minutes
someone in the UK
dies from cancer.¹

1 in 2 people
born after 1960 in the
UK will develop cancer
at some point in their
lifetime.²

367,000 (approx)
new cases of cancer in
the UK every year –
that's around 1,000
every day.³

¹ Cancer Research UK, Cancer mortality for all cancers combined, June 2020

² Cancer Research UK, Lifetime risk of cancer, June 2020

³ Cancer Research UK, Cancer incidence for all cancers combined (2015-2017), June 2020

Opportunity

**Business
owners**



Workplace



**Professional
connections**



**Commercial
insurance
brokers**



Liability audit referral

Liabilities to third parties	£
+	
Liabilities to owners	£
+	
Loss of profit x term to recovery	£
+	
One-off expenses	£
=	
Total	£

Liability audit

Case study



Company name – Johnstone and Pearson Ltd

Last year's gross profit – £1.25 million

Directors – Charles Johnstone and Dan Pearson

Salesman – John Smith

Overview of responsibilities



Both Charles and Dan are equally key. Charles is the brains behind the business and Dan is responsible for sales.

Dan recruited John 18 months ago and appointed him as senior salesman. The recruitment process took 12 months. When John joined, he brought with him a valuable list of contacts, which has allowed him to make a substantial contribution to overall profit.

This is a fictional example. It doesn't represent a real customer.

Liability audit

Case study



What are the liabilities to third parties?

- Business bank loan A: £250,000
- Business bank loan B: £150,000
- Overdraft facility: £100,000 – always fully used



What are the liabilities to owners?

Both have outstanding directors' loan accounts in credit:

- Charles: £120,000
- Dan: £100,000

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd

Charles

Dan

John

Liabilities to third parties			
+	+	+	+
Liabilities to owners			
+	+	+	+
Loss of profit x term to recovery			
+	+	+	+
One-off expenses			
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000		
+	+	+	+
Liabilities to owners	£120,000		
+	+	+	+
Loss of profit x term to recovery			
+	+	+	+
One-off expenses			
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000	£250,000	
+	+	+	+
Liabilities to owners	£120,000	£100,000	
+	+	+	+
Loss of profit x term to recovery			
+	+	+	+
One-off expenses			
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000	£250,000	£0
+	+	+	+
Liabilities to owners	£120,000	£100,000	£0
+	+	+	+
Loss of profit x term to recovery			
+	+	+	+
One-off expenses			
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Loss of profit – questions to ask

- What is the gross profit of the business?
- How much of that can be attributed to the business owners?
- How much profit can be attributed to another key person?
- How long would it take the business to recover on the loss of these key people?
- What other expenses are there?



Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000	£250,000	£0
+	+	+	+
Liabilities to owners	£120,000	£100,000	£0
+	+	+	+
Loss of profit x term to recovery			
+	+	+	+
One-off expenses			
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000	£250,000	£0
+	+	+	+
Liabilities to owners	£120,000	£100,000	£0
+	+	+	+
Loss of profit x term to recovery	£360,000	£360,000	
+	+	+	+
One-off expenses			
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000	£250,000	£0
+	+	+	+
Liabilities to owners	£120,000	£100,000	£0
+	+	+	+
Loss of profit x term to recovery	£360,000	£360,000	£120,000
+	+	+	+
One-off expenses			
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000	£250,000	£0
+	+	+	+
Liabilities to owners	£120,000	£100,000	£0
+	+	+	+
Loss of profit x term to recovery	£360,000	£360,000	£120,000
+	+	+	+
One-off expenses	£50,000	£50,000	£25,000
=	=	=	=
Total			

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit

Johnstone & Pearson Ltd	Charles	Dan	John
Liabilities to third parties	£250,000	£250,000	£0
+	+	+	+
Liabilities to owners	£120,000	£100,000	£0
+	+	+	+
Loss of profit x term to recovery	£360,000	£360,000	£120,000
+	+	+	+
One-off expenses	£50,000	£50,000	£25,000
=	=	=	=
Total	£780,000	£760,000	£145,000

This is a fictional example. It doesn't represent a real customer.

Case study - liability audit



Charles Johnstone
Age 59
Company Director

- £250,000 life protection, 10 years **£65.26**
- £120,000 life protection, to age 65 **£26.67**
- £410,000 life protection, 5 years **£78.35**

Total monthly premium £170.28

Initial commission payable
£2,488.32



Dan Pearson
Age 58
Company Director

- £250,000 life protection, 10 years **£58.73**
- £100,000 life protection, to age 65 **£21.64**
- £410,000 life protection, 5 years **£71.05**

Total monthly premium £151.42

Initial commission payable
£2,262.26



John Smith
Age 47
Salesman

- £145,000 life protection 5 years renewable

Total monthly premium £17.42

Initial commission payable
£193.71

This is a fictional example. It doesn't represent a real customer.

Source: Aegon, June 2020. Assumes 155% Lautro

Case study - liability audit



Charles Johnstone
Age 59
Company Director

- £250,000 life with critical illness (LICI) protection, 10 years **£519.57**
- £120,000 LICI, to age 65 **£201.62**
- £410,000 LICI, 5 years **£696.35**

Total monthly premium
£1,417.54

Initial commission payable
£21,764.64



Dan Pearson
Age 58
Company Director

- £250,000 LICI, 10 years **£462.31**
- £100,000 LICI, to age 65 **£155.47**
- £410,000 LICI, 5 years **£620.86**

Total monthly premium
£1,238.64

Initial commission payable
£18,275.48



John Smith
Age 47
Salesman

- £145,000 LICI, 5 years renewable

Total monthly premium **£102.37**

Initial commission payable
£1,138.35

This is a fictional example. It doesn't represent a real customer.
Source: Aegon, June 2020. Assumes 155% Lautro. Includes total permanent disability.

Policy structure



Corporately-owned policy



Life of another basis



Company pays the premiums



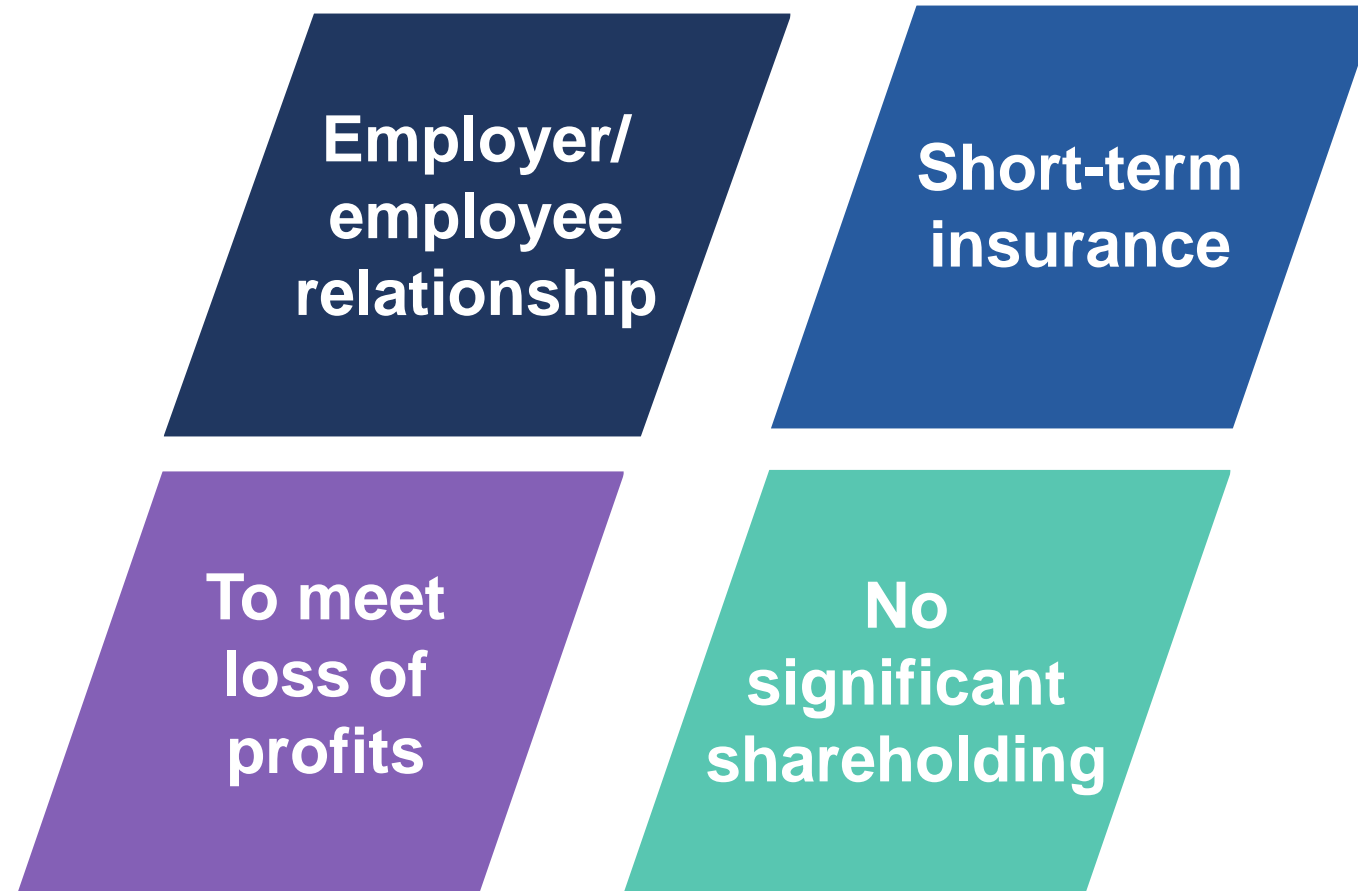
No trust needed



Policy proceeds paid directly to the company




Tax position

Conditions to be met for premiums to attract tax relief and proceeds to be treated as trading receipts.



This information is based on our understanding of current taxation law and HMRC practice, which may change. The tax treatment and value of any tax relief depends on the individual circumstances of each client and may be subject to change in future.

Don't forget...

-  Price Pledge
-  Immediate cover facility
-  Instalment option



Thank you

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