

# YEAR BY YEAR BUSINESS PREPARATION

## FOUNDATIONAL PREPARATION

- Key Requirements for the Ability to Transition Your Business:
  - Upon death, without a transition to a properly licensed and certified insurance agent, there is no guarantee commissions will continue to flow to the deceased's bank account. If you don't have someone in mind, reach out to your FMO to discuss contingency options.
  - Notifying carriers in case of emergency, such as death or loss of cognitive function, can begin a chain reaction. It is best to let your FMO handle the notifying of carriers to prevent the loss of income for a family as soon as possible. If you cannot continue operating your business, your family and/or successor will need all contact information for any uplines you are associated with.
- Incorporate your company and license with the state DOI's.
- Contract your carriers with your corporation.
- Identify and consolidate your contract heirarchy for all carriers and lines of businesses.
- If you started your business as an individual and later incorporate, check to see if you still have business tied to your social security number and not your tax ID. This business would not move with a principal change. Begin the process to assign the social security number business to your tax ID.
- Yearly Audits
  - With contracts to see what is active and where business has been written.
  - On income statements to verify what carriers are paying to the agency.
  - To ensure proper contract levels based on production and agent downline additions.
  - To verify and maintain accurate client data.
- Convert paper files to digital data.
  - Ensure you are up to date on compliance requirements, and you are meeting them in all areas of your business including certification, physical and digital data storage, employee OIG exclusion checks, storage of Scope of Appointments (SOAs), and recorded enrollments.
- Purchase a Key Man Insurance Policy on Yourself.
- Meet with an attorney:
  - Set up a trust.
  - Designate a licensed beneficiary who can step in as corporation principal.
  - OR designate who you wish the business to be sold to, so commission continues to be paid out and clients continue to be serviced.

## FOUNDATIONAL PREPARATION *(continued...)*

- Decide future business wishes in case of an emergency and notify a trusted individual of your plans and who to contact.
- Items that are essential for the successor or buyer for a transaction to be completed include:
  - Carrier certifications complete for any carriers you are transitioning.
  - Licensed and appointed in all states that your corporation maintains.
  - Is set up on the corporation banking.
  - A purchase agreement
    - Most carriers will require a bill of sale in the event of an acquisition.
  - The successor is listed on the corporation documents.
  - The buyer is licensed at the same or higher contract level.
    - **NOTE:** This does not apply for a principal change.

## FIVE YEARS

- Define what assets and liabilities are tied to your corporation, including your office building, financial commitments, compliance issues, long term leases, yearly subscriptions, branding, etc. Begin to prepare staff and family for their upcoming roles after your retirement.
- Start having your clients interact with other individuals in your office.
- All communication and marketing should refer to the agency name, not you as an individual.
- Audit your carriers and consider changing to an “as earned” payment model, doing away with advanced commissions to minimize debit balances.
- Audit the average age of your clients, diversification of product lines, how many commissionable clients you have, how many policies each client has, and your yearly renewals. All these factors play into the value of your business and five years out gives you the opportunity to focus on changing these metrics to increase your business value.
  - Cross selling additional product lines is a great way to add value to your business.
- Schedule retirement meetings with:
  - Accountant
  - Financial Planner
  - Tax Preparer
  - Attorney
  - Your insurance FMOs

## ONE YEAR

- If you followed the foundational preparations and the 5-year preparation:
  - Notify clients, staff, and family of your upcoming retirement and succession plan.
  - Organize your Business:
    - What contracts are active or inactive?
    - Verify contract levels with each carrier.
    - Determine what business is still tied to your tax ID or social security number.
    - Pull income statements to see what carriers are paying.
    - Consolidate and update client contact information, policy data, and important information to service the clients.
    - Gather and update carrier portal usernames and passwords.
  - Schedule a retirement meeting with:
    - Accountant
    - Financial Planner
    - Tax Preparer
    - Attorney
    - Your carrier FMOs
- Track and set up payment plans for any carrier chargebacks and debit balances.
  - Ensure a proper understanding of which carriers may pay lump sum compensation and how a mid-year plan change could result in a chargeback after the sale.
- If you are just now considering retiring and have never incorporated:
  - Call your carrier uplines to discuss preparations and options. Make sure you discuss your goals and if it is worth transitioning your business to a corporation.
    - **NOTE:** As an individual contracted agent, some of your business may only be a transfer of commissions and not client servicing status. This also may slow or complicate your transition process.



## TRANSACTIONAL PHASE

- Be aware that even if you sign a purchase agreement with another individual/agency that in the eyes of the carriers nothing has changed yet. It is vital to talk to your upline before signing any purchase agreement to ensure proper expectations of how the business will transition to the new agent/agency.
  - Even with a purchase agreement, some carriers will still require a release if switching hierarchies.
  - Complete all book of business, succession, and assignment of commission forms for each carrier. Once the successor paperwork is submitted to the carrier, transfer of ownership occurs immediately upon completion.
  - All carriers have different processes for transferring business and it can take a few weeks to several months to complete.
- Gather usernames and passwords for your carriers, carrier commission statements, 1099 tax statements, financial statements, and profit and loss statements.
- Consider if a professional business valuation is right for your business.
- Maintain licenses and certifications until confirmation that sale is fully finalized.
- Introduce new owner to all downline agents, referral partners, and professional contacts.

## FIRST 12 MONTHS OF RETIREMENT

- Maintain ongoing commission audits to verify all commission audits to verify all commissions are paid to the new principal.
  - Monitor bank account for any commissions that did not successfully transition.
  - Maintain your email address, business phone, and fax lines.
- Set up a referral agreement with your successor for any future client inquiries.



SENIOR MARKETING  
**SPECIALISTS**

AN INTEGRITY || COMPANY