The Best Laid Business Plans: Have yours gone awry?
By Ari Fischman, CFP®
Fischman Insurance Group

Which would you rather do: Make easy sacrifices now for results later? Or make hard sacrifices now as a consequence of something that already happened?

I think most of us would choose the first option, right? But as humans, we tend to ditch our best-laid plans until we get a reality check and are forced to take action. That's because sacrifice is never appealing – except in hindsight, of course.

Your business plans probably started off on the right track, much like a construction project following the original architect's plans. Ground was broken and you saw physical improvements daily. Your vision started coming to life. You check off all the exciting items on your to-do list, which led to many short-term successes.

But with success comes work, so you may have found yourself becoming especially busy. Many of your original plans and tasks were forgotten – but that didn't make them any less important. Your business didn't come with blueprints, but if you don't give yourself a solid foundation, you put everything at risk of collapse.

An important part of any solid business foundation is key person insurance. It's one of those items that many business owners add to their to-do list, but never check off. This coverage places a value on your key employee(s) and pays the company a benefit if/when that employee can no longer work due to death or disability.

For startups, many banks and private equity firms won't dare lend money to these up-and-coming companies without such insurance. If it the need is so obvious, then why do companies that see the value in those key people every day fail to see the light? They're too caught up in the moment and forget the bigger picture of protecting their foundational resources. They're unintentionally gambling – and it's a big bet with potentially dire consequences if they lose.

This really came to light recently when a company I work with was shocked to discover they were able to buy a short duration term insurance for two key employees – covering those crucial executives for $10 million each for less than $8,000 a year. With that coverage in place, the company can now raise more money because they can prove they have the foresight to protect their foundational resources.

Partnership agreements are another often-neglected foundational task. Companies are quick to create operating agreements including buy-sell components that clearly suggest they should be funded with insurance … but most of the time it's years before the insurance is actually purchased. It's often viewed as a line item expense, but it really needs to be viewed as a foundational pillar that keep the company strong – in the best and worst of times.

What parts of your business foundation are missing or unstable? Would you rather be proactive – acknowledging their importance now? Or reactive – waiting until something happens and it's too late?

I strongly encourage entrepreneurs to look through their business plans, operating agreements, and marketing plans and seek out those petty, but important, items that keep getting neglected. Knock them out and continue to build on your original visions with continued growth, no matter what life throws your way.

It's been said, "The best-laid plans of mice and men often go awry," but your business plans are too important to allow that to happen.