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# Short-Term Contingency Planning

## Short-Term Contingency Planning

### What is a short-term contingency plan?

A short-term contingency plan is a strategic guide that can be used by your business to deal with your sudden, unexpected absence from the business, as in the case of disability or death. Your contingency plan should map out a procedure for the continuation of business operations that can be followed until longer-term plans are established. Even if you have made arrangements for succession of ownership of your business interest through your will or a buy-sell agreement, you still need a plan for succession of management. A short-term contingency plan can provide for the transfer of duties and continued business operations during the transitional period leading to the transfer of ownership.

**Tip:** You should also have a disaster recovery plan in place for dealing with data and records recovery in the event of a fire, an earthquake, a flood, or other disaster, and for alternate suppliers should something happen to a major trading partner.

For more information, see Training Successor Management.

### Why should you have a short-term contingency plan?

A proactive contingency plan can mean the difference between the survival and the failure of your business after your death. It can allow your successors in the business to focus on the fundamental purpose of the business, instead of trying to develop an action plan while in the midst of a crisis. The plan can be used to minimize downtime, preserve the customer base, and continue delivery of the product or service in an effort to maintain cash flow. The more aspects of the business that you directly control, the more critical a contingency plan may be for your successors.

### What should you include in your contingency plan?

Your contingency plan should map out plans for management and core operations. The more direct control you presently have over specific tasks, the greater the need for a detailed plan of action for others to follow. The following questions will guide you in formulating your contingency plan.

- Management Who will be in charge in your absence?
- Is this person or group adequately prepared to step into your role?
- Is this person aware of the contingency plan and the location of important documents?
- Have you executed a durable power of attorney?
- Is this person or group acquainted with key business contacts?
- Are the key business contacts familiar with the designated employee or group?
- Core operations What are the critical functions of the operation, and how many are you directly responsible for?
- How will the functions generally controlled by you be covered in your absence?
- Is there someone prepared to step in and immediately assume duties presently carried out by you (e.g., sales, marketing, banking)?
- Is there a back-up plan in place for accessing company funds for payroll, payables, and other

expenditures?

- Who are the key contacts for banks, suppliers, and customers, and how can they be reached?
- Will records and data disks stored off-site be accessible to your successor?

## Effect of your sudden death on the business--table

The following table explains how the business may be affected by your sudden death.

Loss of Sales	If you are the main force behind sales in your company, your death may mean the immediate loss of sales, and possibly the end of the business.
Loss of Goodwill	If you are the main contact for suppliers and customers, you may be the very reason why they choose to do business with your company. Your absence could result in the defection of key trading partners to your competition.
Decreased Production	Are you directly responsible for the production of the company product? Are you the only person who knows how the process works? Your absence could mean slowdowns.
Restrictions on Credit	Uncertainty about the future stability of the company after an owner's death has caused many lenders to insert language in loan agreements that makes the loan immediately due upon the death of the owner (or other specified key people), causing an immediate cash concern for the business.
Loss of Talent	The talent, ideas, and vision you provide to your business are irreplaceable. When you die, the talent you contribute also dies. If there is no one with training to back up your position in the company, the company will suffer as a result.

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