

## Blog

### [Why Entrepreneurs Need a Parallel Plan](#)

September 20th, 2011 Jim Stewart



*This week's guest blog post is provided by Rona Birenbaum CFP, a Professional, fee-based Financial Planner and President of Caring for Clients, a full-service financial planning firm, [www.caringforclients.com](http://www.caringforclients.com). Rona has worked in financial services for over 20 years within the Credit Union, full-service brokerage and independent Financial Planning industries.*

Entrepreneurs are eternal optimists. And that is a blessing because optimism is a necessary ingredient when starting, and building, a business.

When naysayers tell them the risks are too high, the optimistic entrepreneur focuses on the opportunities as well as the risks.

When new competitors emerge, the optimistic entrepreneur evaluates the new threat and makes the necessary adjustments to stay on top.

When an economic downturn threatens profits, the optimistic entrepreneur seeks creative ways to survive until the recovery.

So, why do entrepreneurs need a parallel plan?

A parallel plan is the safety net for the trapeze walker, the lifejacket for the sailor, the secondary rip cord for the skydiver.

No, it's not insurance. It's better than that.

In brief, here are the five components of a parallel plan.

**1. The personal savings program** – The savings program builds creditor proof, non-business assets that can support the entrepreneur, and their family, in the event the business underperforms in the short or long term.

**2. The personal and corporate insurance program** – Disability insurance will replace lost income if the entrepreneur is ill or injured and cannot work and key person insurance will fund buy-sell provisions of shareholder agreements.

**3. The business succession plan** – Make sure that the entrepreneurs have (or are working towards) monetization of their business efforts.

**4. The estate plan** – Personal and corporate wills and powers of attorney empower specific parties to manage and disburse personal and corporate assets with minimum taxation and conflict.

**5. The family communication strategy/plan** – Regular meetings between the entrepreneur, their spouse and other appropriate family members. These reviews keep everyone “in the loop” on progress, and outline steps that each individual can take to keep things moving in the right direction.

Only a small percentage of businesses succeed in the long term. Entrepreneurs know the stats. Their optimism is the voice that says, “My business will be the one that wins”.

A parallel plan will support them, and their family, win or lose.