

Business Protection Guide

Financial Protection & Education

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A plain-English guide to finding the gap in your business's financial safety net, and what to **do about**

it.

What is a business protection gap?

A business protection gap is the difference between two numbers.

The first number is what your business would actually need if you, a business partner, or a key employee died, or became too sick or hurt to work. Think payroll, rent, loan payments, the cost **of**

buying out a partner's share, and the cost of replacing the person whose knowledge or **relationships**

the business runs on.

The second number is what you already have lined up to cover that. A funded buy-sell agreement, **if**

you have partners. Key person insurance. Personal savings you could actually pull into the **business**

under pressure. Any coverage already in place.

The space between those two numbers is the gap.

Business changes can affect funding needs, policy ownership and the resources available for a disruption. This guide helps organize questions for a coordinated review.

The point of this guide is not to scare you into anything. It is to help you see the number **clearly, so**

you are deciding from facts instead of guessing. Nothing here tells you what to buy, that **depends**

on your own structure, your partners, and your numbers, and it is a conversation for later.

This is

just the map.

Where gaps come from

Two different things create a business protection gap: the risks that create the exposure in **the first**

place, and the changes in your business that make your old plan, if you have one, stop fitting.

The risks

On an owner's death, ownership rights and buyout obligations depend on the agreement, corporate structure and applicable law. Review who could acquire an interest, how value is determined and what funding would be available with a lawyer and accountant.

Some businesses depend heavily on one person's knowledge, work or relationships. Consider the

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effect of that person's death, disability or departure as separate scenarios.

The owner becoming disabled. If the person driving the business cannot work, the bills do not pause. Rent, payroll, loan payments, and lease obligations continue whether or not revenue does,

and for many small businesses the owner's own income and the business's income are, practically speaking, the same dollars.

A buy-sell agreement sets out obligations and terms. Funding may come from insurance, available capital or other arrangements, depending on the event and agreement. A lawyer and accountant should review the structure.

Review the terms of business loans, credit and equipment financing, including payment obligations,

personal guarantees and what an owner's death or disability could trigger.

Changes in business value can affect funding needs. Check current valuations, agreements and coverage instead of assuming the original figures still fit.

The business changes

These changes can affect funding needs and available resources. They are prompts for a review, **not**

proof that a coverage gap has increased.

o Bringing on a business partner or co-owner

o Hiring a key employee the business would struggle to replace

o Taking on a business loan, lease, or line of credit

o The business growing in revenue or value

o Opening a new location or expanding into a new line of business

o A partner's personal situation changing, marriage, divorce, or estate plans

o Bringing in outside investors

o Starting to plan for retirement or an eventual sale of the business

These situations illustrate questions, not client stories or claims about how often a gap occurs.

Situations worth reviewing

An owner-operated business can have business and household commitments that respond differently to an income interruption. Review them separately and avoid counting the same **income**

or savings twice.

An incorporated owner can review workplace or individual benefits, business overhead and household commitments separately. Corporate revenue is not the same as personal spendable income.

Businesses with multiple owners can review whether an agreement exists, which events it covers, how value is determined and how obligations would be funded.

If a role is difficult to replace, estimate the business effect and resources required.

Departure,

disability and death have different causes and potential funding arrangements.

Business growth can change funding needs. Check whether earlier coverage amounts, valuations and agreements still fit.

Questions for a needs analysis

Business needs require scenario-specific assumptions, current documents and qualified advice. A summary of questions cannot establish an exact insurance amount.

Step 1: What would stop coming in. Start with the income or business value at risk, the owner's

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draw or salary, the profit the business generates because of a specific key person, or the **value of**

the ownership share that would need to be bought out.

Step 2: What would still need to be paid, every month, going forward. Rent, payroll, loan and **lease**

payments, insurance, and other fixed overhead do not pause just because the person who ran the business cannot work. Line up what continues regardless.

Step 3: What one-time costs would show up right away. The cost of buying out a deceased or disabled owner's share at a fair value. The cost of recruiting, hiring, and training a **replacement for a**

key employee. Any business debt that becomes due or that a lender may call as a result of the event.

Check existing insurance, agreements and reserves. Verify which event each arrangement covers, who receives any benefit, and whether funds can be used without removing necessary working capital.

Compare costs and available resources within each scenario and time period. Avoid double **counting**

working capital or combining unrelated events into one automatic coverage gap.

A quick illustrative example

Hypothetical example, not a real client: Coastline Millwork has two equal owners and a senior estimator whose work supports client relationships.

In a partner-death scenario, the estimated buyout is \$400,000. The agreement, valuation and available funding would need legal, accounting and insurance review.

In a separate key-person scenario, the owners estimate \$60,000 of replacement-related costs. Employee departure is not automatically an insured event.

The business has \$50,000 in savings. That amount cannot be assumed available for both scenarios at once. Each scenario requires its own review of timing, working capital and other resources.

The scenario, agreement and available resources determine which figures can be compared.

Assumptions to check

These assumptions are worth checking against current documents and business circumstances.

Check the agreement's obligations and funding. Check who owns each policy, who receives the benefit and which event is covered. Review financing terms without assuming a lender will approve or refuse a loan. Distinguish ongoing overhead from replacement and buyout costs.

Review valuations and arrangements after business changes.

Choosing a next step

This guide is not going to tell you what to buy, that is a personal and structural decision, **and it**

depends entirely on your ownership structure, your partners, and your numbers. But the general process business owners follow to close a gap looks like this:

Answer a few questions about your situation and what you already have in place. Your summary highlights information to check and questions to discuss. It is a starting point, not a needs analysis, quote or recommendation.

Review which questions matter to the business and owners. Funding priorities depend on the circumstances; a quiz cannot set them.

Review existing agreements, ownership, beneficiaries and policy terms before considering changes. Legal and tax implications require the appropriate professionals.

The 30-minute intro call covers introductions, how we work, compensation and insurer

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disclosures, and basic financial concepts. If time allows and you want to continue, we can **begin or**

complete fact-finding for your needs analysis during that call. Otherwise, we book a separate meeting to gather the information. Once fact-finding is complete, we review your information **and**

present our findings and any recommendations or quotes at a follow-up meeting. You decide whether to proceed.

Review arrangements after changes in ownership, debt, staffing or business value. No review guarantees that every future cost is covered.

Both the Gap Assessment and the Gap Review are free, and the decision is always yours.

Start with a few questions. Decide on the next step when you're ready.

Start the assessment

Book an intro call

About your advisors

Brenda Nkwocha and Hilda Chukwu are licensed life insurance advisors in Ontario. Personal insurance recommendations follow a needs analysis. Business legal and tax questions require qualified specialists.

Disclaimer

This guide is for educational purposes only. It is general information for Canadian business owners, not personalized financial, tax, legal, or insurance advice, a quote, or a guarantee of coverage, eligibility, or outcome. Business structuring decisions, including buy-sell **agreements**

and corporate-owned insurance, have legal and tax implications that should be reviewed with a lawyer and accountant alongside a licensed insurance advisor.

The Coastline Millwork example is a hypothetical composite used only to illustrate a **calculation**

method. It is not a real client, and no specific products are recommended or named anywhere in this guide.

Sources

Corporations Canada: shareholder agreements and funding share transfers (federally incorporated **businesses**)

AMF: disability insurance and business overhead expense insurance

FCAC: disability definitions, benefit limits and coordination

Sources and links reviewed October 14, 2026. Hypothetical examples illustrate questions, not **personal**

recommendations.