Jay Law | California estate planning attorneys

A GUIDE FOR CALIFORNIA BUSINESS OWNERS

What Happens to Your Business If Something Happens to You

What happens to your business if you can't run it, and what to put in place so your loved ones benefit from what you built.

Make sure your life's work outlives you.

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✓ Checklist and next steps

Jay Law, P.C. · 2026 edition · General information, not legal or tax advice. The examples are hypothetical and use round numbers.

Your estate plan is a starting point, but it doesn't ensure your business keeps running.

Many business owners have a living trust, or know they need one. Few have decided who will sign payroll, renew the license or vote the shares if they can't. Without a plan for the business, California law and your company documents decide, and the business can be harmed in two ways:

The business stalls before anyone steps in.
No one can get into the accounts, so payroll and rent go unpaid. Clients and employees move on while your family waits for someone to have authority.

Loved ones wait and get less, or nothing.
Company documents and co-owners can decide who ends up with the business, and what it's worth by then. If your ownership interest is not in your trust, it may have to go through probate before anyone can sell or transfer it.

This guide covers five risks we often see for business owners, whether they have no estate plan or a living trust that doesn't include the business, and what you can do about each.

01 Your family trustee may end up running your business, or selling it fast.

The person you trust with your home and investments may be the wrong person to run your company, so a separate trustee to manage the business can be important. Unless your trust says otherwise, California law tells your trustee to diversify and does not let the trustee keep running a business without going to court. A cautious trustee with no instructions will often sell.

IF THIS IS YOU	PUT IN PLACE
Your successor trustee has never worked in the business	**A business trustee (a partner, long-time manager or professional) with authority only over the business**
Your trust doesn't say whether to keep or sell the business	**Permission to keep running it, and relief from the duty to diversify**

EXAMPLE: A QUICK SALE UNDER PRESSURE

A machine shop owner's trust names his wife as successor trustee. The shop is worth about $3 million, but she's never run it and the trust doesn't say to keep it, so she takes a competitor's first offer at a 30% discount.

$3 million
Value of the business

×

30%
Discount in a rushed sale

=

$900,000
Less for your loved ones

TAKEAWAY

Decide who runs the business, and put it in the trust.

02 If you can't sign, no one else can either, not without a court order.

A trust only controls what's in it. A durable power of attorney covers what you own and do as an individual: personal accounts, tax filings, and your rights as an owner. It does not make your agent the company's manager or officer. Only your company documents can do that.

IF THIS IS YOU	PUT IN PLACE
You're the only signer on the business accounts	**A second authorized signer, and an agent who knows the business**
Your power of attorney "springs" only after doctors certify incapacity	**An immediately effective power of attorney, or an agent who has your doctors' contact information**
Your operating agreement or bylaws don't recognize an agent	**Company documents that let your agent vote your interest and that name a successor manager or officer**
Your trust needs two doctors' letters before your successor trustee can act	**An incapacity clause that works in practice, such as one named person plus one doctor**

EXAMPLE: AN OWNER WHO WAS THE ONLY SIGNER

The owner of a 15-person landscaping company has a stroke, with $60,000 in payroll due Friday. She's the only signer on the business accounts, and her power of attorney takes effect only after two doctors certify she can't act. Her husband can't sign because he is not on the account, and a court order takes time. If certification stalls, it may be weeks before anyone has authority. Her crew starts looking for other work.

$60,000
Payroll due Friday

0
People who can sign

Weeks
Before anyone may have authority

TAKEAWAY

Make sure someone can sign for the business the day you can't.

03 If your business runs on your license, a clock starts.

A professional license belongs to you. It does not pass to your trustee or your family. Many other business licenses raise the same problem. When the licensed owner dies or loses the license, California law sets a deadline, and the plan has to be built to beat it. Clients and patients don't wait either.

BUSINESS	WHAT HAPPENS	DEADLINE
Professional corporation (physicians, accountants, architects, engineers, veterinarians and others)	Shares must go to the corporation, another shareholder or a licensed person, or the registration can be suspended or revoked	**6 months after death; 90 days after loss of license**
Law corporation with one shareholder	State Bar registration is cancelled; a court-appointed practice administrator may be needed	**6 months and 1 day after death**
Licensed contractor (sole owner or qualifier)	Sole owner: the license ends at death. Family can ask for a continuance within 90 days to finish projects, for up to a year, then needs its own license. Company license: a new qualifier must be approved within 90 days.	**90 days**
Bar, restaurant or store with a liquor license	A surviving co-licensee can operate briefly; then a representative or trustee must run and transfer it	**30 days for a co-licensee, or until a representative is appointed**

PUT IN PLACE

- **A licensed successor, picked now**, usually under a buy-sell agreement
- **A way to fund the purchase**, like life insurance or a payment formula
- **The deadlines written into your trust**, so your trustee doesn't learn about them too late

EXAMPLE: A PRACTICE ON A SIX-MONTH CLOCK

A physician owns all the shares of his medical corporation. When he dies, his trustee can't keep the shares or practice. With no buyer lined up, his family has six months to sell while patients move their care elsewhere week by week.

TAKEAWAY

Design your plan around the business's deadlines.

04 Your company documents can override your trust.

The most common failure we see is two sets of documents that each work alone and conflict together. The lawyer who drafted the operating agreement never read the trust, and the lawyer who drafted the trust never read the operating agreement. When they disagree, the company documents usually control what happens inside the company.

IF THIS IS YOU	PUT IN PLACE
Your operating agreement bars transfers without the other owners' consent	**Confirm your transfer to the trust was permitted and documented. If it was not, the interest may not be in your trust at all and may need probate.**
Heirs receive only an economic interest, with no vote	**An operating agreement that matches who you want in control**
You're the sole director, with no way to seat a replacement	**A process for seating a successor director or manager**
You own an S corporation, and your trust wasn't drafted for it	**Trust terms that keep the S election alive. Only certain trusts can own S corporation stock.**

EXAMPLE: A TRUST AND AN OPERATING AGREEMENT THAT DISAGREE

Two partners each own half of a property management LLC. One partner's trust leaves his half to his two children. The operating agreement says heirs receive only an economic interest. When he dies, his children get a share of whatever profits the surviving partner chooses to distribute, but no say in salaries, strategy or a sale.

The fix is a side-by-side review: we read your articles, bylaws or operating agreement, buy-sell agreement and ownership records next to your trust, then update whichever document needs to change.

TAKEAWAY

Make your corporate documents and estate plan work in harmony.

05 Your family may get a minority stake instead of a check.

If you have a partner and a buy-sell agreement, that agreement decides whether your family receives a check or a minority interest in a company they can't run. Many owners signed one when the company was formed and haven't opened it since. If you have no agreement, your operating agreement and California's default rules decide, and your family usually ends up with the interest, not the check.

IF THIS IS YOU	PUT IN PLACE
Your agreement doesn't cover disability	**Triggers for death, disability, divorce, bankruptcy and retirement**
The price comes from an old formula or appraisal	**A current price, updated on a schedule**
No insurance or payment plan	**A way for the buyer to actually pay**
The company owns the life insurance	**A review of the structure with your attorney and CPA***

EXAMPLE: A PRICE SET TEN YEARS AGO

Two co-owners valued their company at $1 million when they signed their buy-sell agreement in 2016, and never updated it. The company is now worth $3 million. When one dies, the agreement lets the survivor buy his half for $500,000. With no insurance in place, the survivor may not be able to pay even that.

$1.5 million
Today's value of his half

–

$500,000
Price in the 2016 agreement

=

$1 million
Gap your family absorbs

No partner? The same questions apply. Who would buy or run the business, and on what terms? An employee, a competitor or a family member can be lined up in advance, so your trustee isn't selling under pressure.

TAKEAWAY

Revisit your buy-sell agreement and how it's funded.

*In *Connelly v. United States* (2024), the U.S. Supreme Court held that life insurance a company receives to buy back a deceased owner's shares counts toward the company's value for estate tax purposes. This matters mainly if your estate could owe federal estate tax, which in 2026 applies above $15 million per person. Owners with company-owned policies and estates near that level should ask whether a different structure fits better.

Is your business protected with the right estate plan?

DO YOU HAVE THIS?

- [ ] A business trustee named in your trust, with instructions to keep or sell
- [ ] A second signer on business accounts, and an agent who can act right away
- [ ] A licensed successor, and a funded plan to beat the deadline
- [ ] A trust and company documents that say the same thing
- [ ] A buy-sell agreement with current triggers, price and funding

Missing any of these? Book a free 15-minute call.

Whether you have an estate plan or not, closing these gaps starts with a short conversation.

Book a call: jaylaw.co/business-owners → or email info@jaylaw.co

About Jay Law

Attorney-led

You work directly with a California estate planning attorney.

Flat fees

Trust-based plans start at $2,000 for individuals and $3,500 for couples. Additional work is quoted upfront.

Works with your advisors

We coordinate with your CPA, corporate attorney and financial advisor.

Signing coordinated

Plans developed within weeks, with help arranging signing and notarization.



Travis Neal, Founder

Trusts and estates attorney with nearly 20 years of experience. California attorney since 2007. Former partner at a boutique trusts and estates law firm.

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