



“Plan today, protect tomorrow”

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The value of a “buy and sell” agreement in multi owner businesses

Where there are two or more owners in a business significant problems may arise if one suffers a catastrophic event (ie death or total and permanent disability to the extent he/she can never return to the business). By not having adequate funding or cover in place several different problems could arise. For example:

- The remaining owner(s) doing all of the work, but not for all of the return.
- The deceased or seriously ill owner’s family come into the business or nominate someone to look after their interests.
- The sale of assets to pay out the seriously ill or deceased owner.
- The sale of the business itself

These are not the best outcomes for any of the owners. One way owners can determine what they would like to see happen with a co-owners shareholding should such an event occur is to put in place what’s known as a “buy and sell” agreement. Life insurance products can provide one of the most simple and cost effective vehicles for funding “buy and sell” agreements should such an event occur, providing any remaining owner(s) with the means to purchase that shareholding. This results in:

- the remaining owner(s) getting to carry on with the business, and
- the disabled owner (or the estate in the case of a deceased owner) receiving a lump sum payment equivalent to the value of their share of the business.

Zurich Life Australia say the chances of 1 partner dying or becoming totally disabled before age 65 are:

Number of Partners	Chance of death only	Chance of death or total disability
2	35 in 100	52 in 100
3	47 in 100	67 in 100
4	57 in 100	77 in 100
5	66 in 100	84 in 100
6	77 in 100	89 in 100

Those are not great odds. Other research findings showed a staggering 87% of business owners did not have “buy and sell” cover in place. But don’t let that make you feel complacent. There is simply no reason to leave such matters to chance, and put at risk everything you have worked so hard for to achieve.

If you would like to know more, or if you would like me to help you put such a plan in place to help you manage this risk, give me a call.

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