Pro-Text
by Darren Reith

Prevent Disputes Before They Occur

Have you ever considered what would happen to your business if your partner or shareholder unexpectedly was no longer there? Have you done any retirement planning to determine successors? What would happen if you were hit by a bus? What would happen if a critical illness or disability struck a key person? If your partner passed away, will you close your doors or keep your business going with the new owner (for example, the spouse)? Will you sell your shares or purchase the shares from your deceased partner's estate? These are questions to ask yourself, when operating a business with someone else.

There is a lot of time, energy and money that goes into growing a business and it is easy to get caught up with the everyday challenges. This is why it is essential to find ways to prevent future upsets and protect everyone involved in the event of death, disability and retirement of an owner, or even if someone just wants out.

An excellent solution is to purchase a buy-sell agreement. This will help place value on the hard work that has gone into making your business a success while providing for its continued profitability.

A buy-sell agreement is a legal document that can help prevent problems later by ensuring a smooth transfer of business in the event one of the owners leaves voluntarily, happily or tragically. Generally, the agreement simplifies the buy-out of the owner and deals with:

- who will buy the shares
- what the terms of the sale will be
- when the sale will take place
- where the money to buy the shares will come from
- and what the purchase price will be

To ensure the agreement is viable, proper funding must be in place. Without funding, agreements can fall apart. There are a number of ways to fund a buy-sell agreement:

- you can start saving today
- you can borrow the funds from a bank
- you can take the funds from current earnings
- you can sell assets
- you can purchase life insurance and disability insurance to provide the funds needed.

Actually purchasing life insurance can be the most cost-effective solution to fund a buy-sell agreement when an owner dies. It guarantees that money is available when needed. Similar coverage can be arranged to deal with potential accident or disability situations.

So, take the time out of your busy schedules to ensure the smooth and profitable continuation of your business that often has taken many years of hard work to build. And, by working closely with a team of financial professionals - lawyer, accountant, insurance agent – the buy-sell agreement can be tailored to business and personal needs, giving you the knowledge that a lifetime invested in business will yield adequate income.

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