

How to protect your company when faced with the loss of a business partner

Most successful companies result from the dedication of diligent business partners who invest years into the growth and success of their companies. What would happen if one of these business partners were to unexpectedly pass away? What would be the necessary steps to ensure that business continues as usual? The future of your business may depend on your answers to the following questions:

- Which of the surviving partners or heirs would assume the responsibilities left behind?
- What is the actual market and capital value of the deceased individual's share or interests?
- How would the co-owners obtain the necessary funds to purchase the deceased individual's shares or interest?

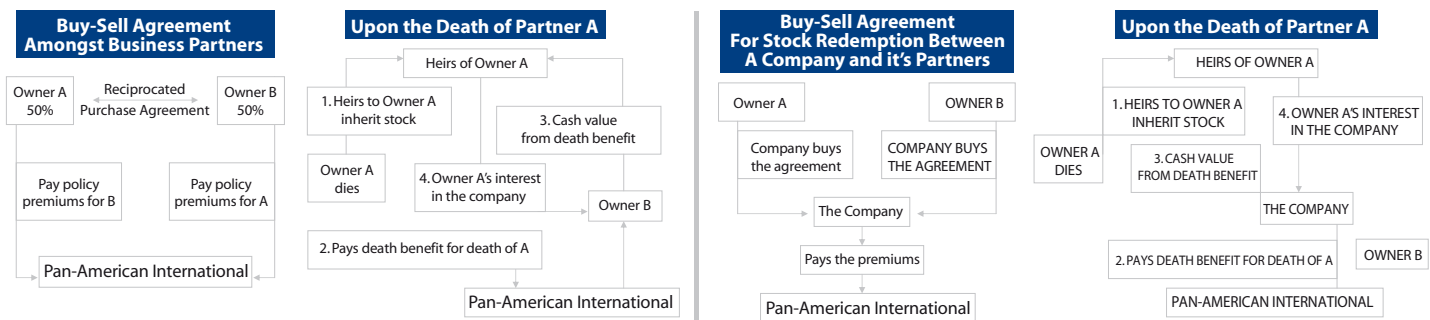
A Buy-Sell plan offers answers to all these questions.

What is a Buy-Sell plan?

A buy-sell plan is a formal agreement among business partners that permits the purchase of shares by surviving partners should one partner retire or pass away. Life insurance is the ideal means by which to acquire sufficient cash funds for such a purchase.

How does a Buy-Sell plan work?

There are generally two types of Buy-Sell plans:



1. A Reciprocal Purchase Plan: In this arrangement, each business owner buys a life insurance policy that insures the life of his or her partners. In this agreement, each surviving partner agrees to purchase the deceased partner's interests and shares from the estate heirs, at a predetermined price.
2. A Stock Redemption (Equity Purchase) Plan: Under this plan, the company buys a life insurance policy insuring the life of each owner or partner. In the event of a death among the owners or partners, the company would purchase the deceased partner's interest and shares from the estate heirs, at a predetermined price.

The benefits of a Buy-Sell plan:

1. The plan formally stipulates how property and funds shall be managed and transferred after the death of a business partner.
2. Through the settlement value of the life insurance policy, the Buy-Sell plan provides cash funds in order to purchase the deceased partner's shares.
3. The plan establishes a fair market value for all business assets and shares.

Summary

A Buy-Sell plan is a simple and effective vehicle that facilitates the transfer of business assets upon the death of a business partner.

You should consult with your attorney or other professionals to structure and agreement that would best address your particular needs.