



Wawanesa
Life[®]

BUY/SELL *Agreements*

BUY/SELL AGREEMENTS


Over the years, you and your partners have built up your business. You've probably retained most, if not all of the profits in the business to maximize its growth.

What are your plans if you or your partner dies today?



There are many questions you should ask yourself today because you or your family may face them tomorrow...





Let's have a realistic look at the death of a business owner...

First, what are some of the problems facing the family and surviving partners?

PROBLEMS Facing the Family

PROBLEMS *facing the family*

- Is your income for family expenses derived in large part from your business income?

If so, how will your family continue to live if your income stops because of your death?

PROBLEMS *facing the family*

- Is the bulk of your estate tied up in your business interest?

What will your family do for cash or income while they or your executors are trying to sell your business?

PROBLEMS *facing the family*

- Is there sufficient cash in your estate to meet debts and other living expenses?

Will your family be dependent on income from dividends on your company shares?

PROBLEMS *facing the family*

- Will your surviving spouse have to get a job in the business with your partners in order to earn an income?

If so, will the other partners/shareholders give your spouse a job?

PROBLEMS *facing the family*

- If your estate tries to sell your business interest who will buy it?

What effect will a forced liquidation (because your family needs the money) have on the sale price?

PROBLEMS *facing the family*

- What effect will your death have on the firm's credit?

Does this mean your family will get a lower price?

PROBLEMS *facing the family*

- If your surviving spouse and family sell to the partners/shareholders, what guarantee does your family have that they are getting a fair price?



PROBLEMS Facing Surviving Shareholders

PROBLEMS *facing shareholders*

IF YOU ARE ONE OF THE SURVIVING SHAREHOLDERS:

- Will the heirs of the deceased partner or shareholder frustrate you by exercising their legal rights to vote, elect directors & demand financial information?



PROBLEMS *facing shareholders*

IF YOU ARE ONE OF THE SURVIVING SHAREHOLDERS:

- Will conflicts of interest as to dividends and policy lead to deadlock with the heirs which may result in business liquidation?

PROBLEMS *facing shareholders*

IF YOU ARE ONE OF THE SURVIVING SHAREHOLDERS:

- Are you concerned unqualified or inactive partners/shareholders will contribute nothing but will be entitled to a share of the profits?

What if they sell their interest to a third party who is unacceptable to you?

What are the odds of you or your business partner dying before age 65?

*Based on male lives. Source: Canadian Population Mortality Table 2000-2002, Male

| <u>Ages of two Business People</u> | <u>Chances of one Person Dying Before Age 65</u> |
|------------------------------------|--|
| 25/25 | 27.1% |
| 25/50 | 24.2% |
| 30/35 | 26.1% |
| 35/40 | 25.3% |
| 40/40 | 24.8% |
| 45/45 | 23.5% |

What are the odds of you or your business partner dying before age 65?

The chances of death before retirement age are more substantial than most people may think. Of course, no set of statistics will tell you who is going to die – or when.

That's why it's so important a Buy/Sell Agreement is set up and fully funded with life insurance to cover all participants.

THE SOLUTION

Buy/Sell Agreement

What is a Buy/Sell Agreement?

A Buy/Sell Agreement is a business buyout agreement that governs:

- 1) Who can buy a departing partner's or shareholder's shares of the business*
- 2) What event triggers buyout (ie: partner's death)*
- 3) What price will be paid for the business interest*

Comparing Sources of Funding

Let's look at two potential sources of funding for a Buy/Sell Agreement:

- 1) *Secure a loan from a bank or trust company upon the death of the business partner.*
- 2) *Pre-fund the sale before the death of the business partner with a life insurance policy. Called an **Insured Buy/Sell Agreement**.*

BUY/SELL AGREEMENTS

An Insured Buy/Sell Agreement provides a method whereby:

- Surviving shareholders buy deceased's shares
- Deceased's estate sells the deceased's shares for a predetermined price.
- Life insurance is purchased on each shareholder's life in an amount equal to the value of their shares to ensure cash is available at the exact time required.

BUY/SELL AGREEMENTS

You may also want to look at the effects a critical illness can have on your business. Would a critically ill business partner continue to work and stay in the business?

BUY/SELL AGREEMENTS

While you can't predict the future, you can manage risk and plan ahead to protect the valuable assets you've worked so hard to build.



BUY/SELL AGREEMENTS

An Insured Buy/Sell Agreement solves many problems, including:

- Having the necessary funds available to meet the purchase price.
- Guaranteeing a buyer for the sale of the business interest.
- Establishing a pre-determined, agreed upon price.
- Ensuring an orderly continuation of the business.

BUY/SELL AGREEMENTS

The agreement can be pre-funded through Life Insurance, Critical Illness Insurance or any combination of the two.

Let's begin today by looking at the best option to suit your unique needs.





Wawanesa
Life[®]