



Presented for
Valued Client

Presented by

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Summary

When a business owner dies, the financial consequences depend on how well the business has prepared for a transition of ownership.

What the Surviving Owners Want

Surviving owners typically look to retain total control of the business without interference from the deceased owner's heirs. They may also expect that the heirs will sell them the deceased owner's interest promptly and at a fair price. Most importantly, they want to retain the loyalty and support of employees, customers and creditors during and after the change in ownership.

What the Heirs Want

The deceased owner's heirs want ongoing financial security, especially after the loss of the owner's salary and benefits. Heirs typically expect prompt settlement of the deceased owner's estate, including a valuation of the business interest if they plan to sell it. The family may want to retain the business interest or sell it promptly at an attractive price.

Without Preparation

When there is no formal buy-sell agreement addressing what will happen when an owner dies, unhappy consequences can result. Litigation between the deceased owner's heirs and surviving owners is not uncommon. Delays in settling the deceased owner's estate and conflicts with surviving owners can result in loss of customers, employees and creditor confidence, and these outcomes can damage the business—and possibly even force liquidation, the worst possible result.

The Place for a Buy-Sell Agreement

A buy-sell agreement is the first step in ensuring an orderly and successful transition in business ownership following an owner's death. The agreement can establish a fair price for the business interest and sale terms that are reasonable and agreeable to all parties. The agreed-upon value for the business interest is typically accepted by the Internal Revenue Service for estate tax purposes, which reduces estate settlement delays. Of course, a professional appraisal of the business should be performed. Seek legal counsel for advice on this subject.

The Result

A buy-sell agreement represents a clear solution to a series of difficult problems. Properly designed, a buy-sell agreement can benefit all parties—heirs, owners, employees, customers and suppliers. Fully funding the agreement with life insurance is an effective way to ensure the viability of the sale when the time comes.



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