

Business Buy-Sell Agreements

Using Insurance Funding

**You have just heard your business partner
has died or been permanently disabled.**

What are you thinking right now?

Because things have JUST CHANGED.

A moment ago, you were 2 or more people all in the business of doing things.

Now, your partner (or their spouse) needs, and is entitled to, the full cash value of their share of the business. And they need it immediately.

So these are some of the things you might be thinking:

- ▶ Will a bank lend money to me to buy my partner out, knowing that the business is "down to one key player"? (Probably not)
- ▶ Even if they might, will it have the security to borrow the money? (Maybe - were you planning to borrow several hundred thousand dollars when you woke up this morning?)
- ▶ If I can borrow the money, will repaying the loan send me broke anyway? (Hard to say but please do think about it)
- ▶ Did the death or disability just cause us to default on the overdraft? (OK - you wouldn't be thinking that... but yes, it probably caused a default)

The thing is, if you can't come up with the money in a short span of time, your partner's spouse may well be:

- ▶ Looking for half of the profit every month;
- ▶ Participating in management of the business (or having a relative or accountant to do it for them); or
- ▶ Wanting a sale of liquidation so they can get their money.

None of these risks are out of the question by any means. Remember, the surviving spouse has to look after themselves and possibly children as well. That is what changes the game "all pulling the same way" to... something quite different.

The results of all of this are potentially, a fire sale of the business, liquidation, or some form of court action. And while that goes on, your business suffers and is worth less and less every day.

And yet, all of this is 100% preventable.

It's easy to put this matter on the back burner because you're healthy now. Don't fall into that trap!

Your LegalHQ specialises in the preparation of agreements which set all the rules for death or disabilities of business partners. The agreements are known as buy-sell agreements. But they are not a one-size-fits-all document. If these documents are not custom fitted to your business structure, then;

1. Certain partners are exposed to risk of the wrong outcomes; and
2. In many cases all partners are exposed to massive unnecessary tax bills.

They can only be prepared properly if you take the time to fully understand the business structure that you are dealing with and have a thorough, practical knowledge of:

- ▶ Taxation law;
- ▶ Business structures; and
- ▶ Contract law.

Your LegalHQ always takes the time. And we have the competencies.

How can a buy-sell agreement get you the money to pay out a partner?

It won't. But you can insure the risk so you receive funds for the buy-out the moment you need them (we can find you a broker if you don't have one). If any of the partners are not able to be insured, then our agreements always contain provisions to allow the continuing partners to pay out the money over time.

In advance, you can decide a payment schedule which is fair, but won't leave the business on its financial knees!

Think everything's fine because you're insured against risk already?

It's not fine. Only a buy-sell agreement says what the insurance money has to be used for. If you don't have one, then the partner's spouse will have all the insurance money in one hand and a chunk of your business in the other. And they'll be legally allowed to KEEP BOTH.

The insurance does NOTHING without the buy-sell agreement.

Call Your LegalHQ on 08 9445 9200 and ask to speak to Henry. We'll book you in to discuss your business and, when instructed, will draft an agreement which:

1. Makes sure that if a business partner dies, payment agreements are already agreed and manageable;
2. Ensures no one pays any more tax than they have to; and
3. Otherwise leaves you in a situation which is basically "business as usual".

**Protect your business from this ticking time bomb today.
It's too late to act after tragedy strikes.**

**Contact us today
Call 08 9445 9200 or visit
www.yourLegalHQ.com**

YOUR LEGALHQ

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