



## Protecting Your Partner

This applies equally to partners in a partnership, members of a close corporation and shareholders in a company.

The issue should not only be of concern to business owners, however, but should also be asked by the surviving spouse of a deceased or disabled partner.

When the inevitable happens and a co-owner dies or becomes disabled, both the spouse and the business face a turbulent time.

It often happens that the remaining owners do not have the resources to purchase the shares from the disabled partner or deceased's estate.

On the other hand, the surviving spouse usually does not want to participate in the business and depends on the purchase price of the shares as financial support. This can cause an emotional and financial crisis for everyone involved.

The solution is a buy-and-sell agreement.

The primary purpose of such an agreement is to provide the remaining owners with cash to purchase the deceased or disabled partner's interest/shares.

It further ensures that the remaining owners will not have to share ownership of the business with the surviving spouse or heirs.

It is important to note that co-owners enter into a buy-and-sell agreement with the intention to prevent the inheritance of shares. The concern is that, besides being foreign to the business, heirs may be more concerned about their inheritance and what profit they can make from it.

The agreement is funded by life insurance policies that the co-owners take out on each other's lives. In this way, the deceased or disabled partner's family is paid the share value and the remaining owners are able to continue with the business.

Ensure that a proper buy-and-sell agreement is drafted to give effect to the parties' intentions. Your financial advisor can provide you with an agreement fit for the individual needs of your business.

In most instances, this type of agreement would be the most affordable solution for protecting the remaining owners of the business as well as the surviving parties and is definitely food for thought.

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