What if… *I die without a business partner*

Your family will receive much less than the going-concern value of the business, if they receive anything at all. The "one-way" buy-sell arrangement can help assure that your family receives the true, full value of your business.

The unilateral buy/sell agreement or as it is also known, the One Way Buy/Sell Agreement, is often used with business owners who want to sell their business in the event of their death or retirement but do not have a co-owner or partner to buy their interest.

You identify a potential purchaser interested in, and able to take over your business. In the event of your death, your estate will sell your business interest to this person. This person will be obligated to buy your business interest should you die. The potential buyer will purchase a life insurance policy on your life, pay for that policy and be the beneficiary of that policy. At your death they will receive the proceeds from this policy and use these proceeds to purchase your business interests from your estate.

This arrangement fixes a value for your business. The value can be determined several ways: a price that both you and the buyer agree on, book value at date of death, or a predetermined formula. You will enter into a unilateral agreement with the buyer to buy your business in the event of your death. The buyer purchases life insurance on your life. At your death the life insurance is paid to the buyer. Your business interest passes to your heirs. The buyer purchases your interest from your heirs with the life insurance proceeds.

There are several advantages to this arrangement.

1. Your family is guaranteed a certain amount of money upon your death for your business interest.
2. Your employees know that the business will continue even if you do not.
3. Your creditors and vendors will know that there is a continuity plan in place.
4. The purchaser might very well be a key employee and is now going to stay with you for the long run.

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There are considerations that must also be addressed:

1. If the buyer is a child active in the business, inactive children may feel that they did not get their share of the business when you died. Explore with your Blueprints For Tomorrow © Financial Professional and attorney, ways to equalize the estate for all of your children involved.
2. When it comes to buying the life insurance on your life you might actually find yourself paying the premium for the buyer. This could conceivably be designed as a bonus arrangement.
3. The situation where a lifetime sale occurs if you do not die must also be addressed. You will likely need to structure an installment sale with the buyer.

We tell our business owners on a regular basis that a properly designed exit/contingency plan is of the utmost importance. Business owners periodically recognize that they can make as much money as they currently earn by working for someone else. Why put up with the headaches of business ownership? The answer is that your business is a culture and an asset. Don't wait! Effective planning ensures that your hard work will benefit your family/heirs. They deserve to see the fruit of your labors.

Helping business owners protect, preserve and pursue more value from their business, more tax efficiently! ®

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