

BUSINESS WIND-UP, BUY SELL

Partnership

What if you wake up tomorrow and your partner has died? What will happen to your business?



**Empire
Life™**

Your partnership today

- Success is due to the **co-operative effort** of all the partners
- Together, the partners have **full control** of your business
- You divide the **profits**
- You distribute the **work load**
- You share the **losses**

If a partner dies tomorrow, your partnership is legally terminated. By law, the death of a partner dissolves the partnership.

Without a prearranged plan

- Partnership is automatically terminated
- Surviving partner cannot continue the business and, in the closing out process, must sell merchandise for cash only
- Surviving partner is entitled to the exclusive possession of the firm's property, but only as liquidating trustee.
- The estate of the deceased partner has no authority or control whatsoever (unless fraud is involved)
- The estate of the deceased partner is not entitled to any salary, drawing account or compensation except the deceased's share, and only upon final accounting
- The surviving partner has no prior right to buy the business

You have four choices

1. Sell off the business
2. Liquidate the business
3. Reorganize business with the heirs of the deceased
4. Buy out the heirs

Each option comes at a price. Where will the money come from?

One solution is to create a Business Sinking Fund

Take a small portion of your profits or revenues each year and set them aside in a plan that will guarantee to deliver the money needed at the death of a partner.

An alternative is a Funded Buy Sell Agreement

A Buy Sell Agreement is a written contract between the partners providing for the sale and purchase of an ownership interest in the event of the death of one of the partners.

A properly designed agreement

- Places the surviving partners in full control
- Establishes a means of determining the fair value of the deceased ownership interest

What does a Funded Agreement provide?

| For the family | For the business |
|---|--|
| <ul style="list-style-type: none">• Guaranteed family income• No business worries• Guaranteed market for interest in the business• Cash to pay estate settlement costs• No valuation problems | <ul style="list-style-type: none">• Continuation of business operations for time selected• Strengthened credit• Employee confidence• No forced liquidation of assets• Harmony with/amongst deceased's family |

Special advantages of the agreement

| | |
|-----------------------------|--|
| To the partner while living | <ul style="list-style-type: none">• Provides a guaranteed market and price for a partner's interest at death• May provide cash reserves through the gradually increasing cash values• Promotes goodwill of employees and creditors by ensuring stability of the business |
| To the surviving partners | <ul style="list-style-type: none">• Provides purchase amount in cash when needed• Guarantees full ownership at agreed price• Underwrites the business future and their family standing in the community• Eliminates danger of dissension and stalemate with heirs |
| To the heirs | <ul style="list-style-type: none">• Guarantees fair price in cash for business interest – without delay• Removes their assets from hazard of shrinkage or loss in a speculative business• Frees their personal estates from all liability to business collectors |

STEPUP

Providing you with the estate planning and wealth strategies that matter most, the Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team is comprised of practicing professionals whose primary objective is to support you as you help your clients reach their financial goals.

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