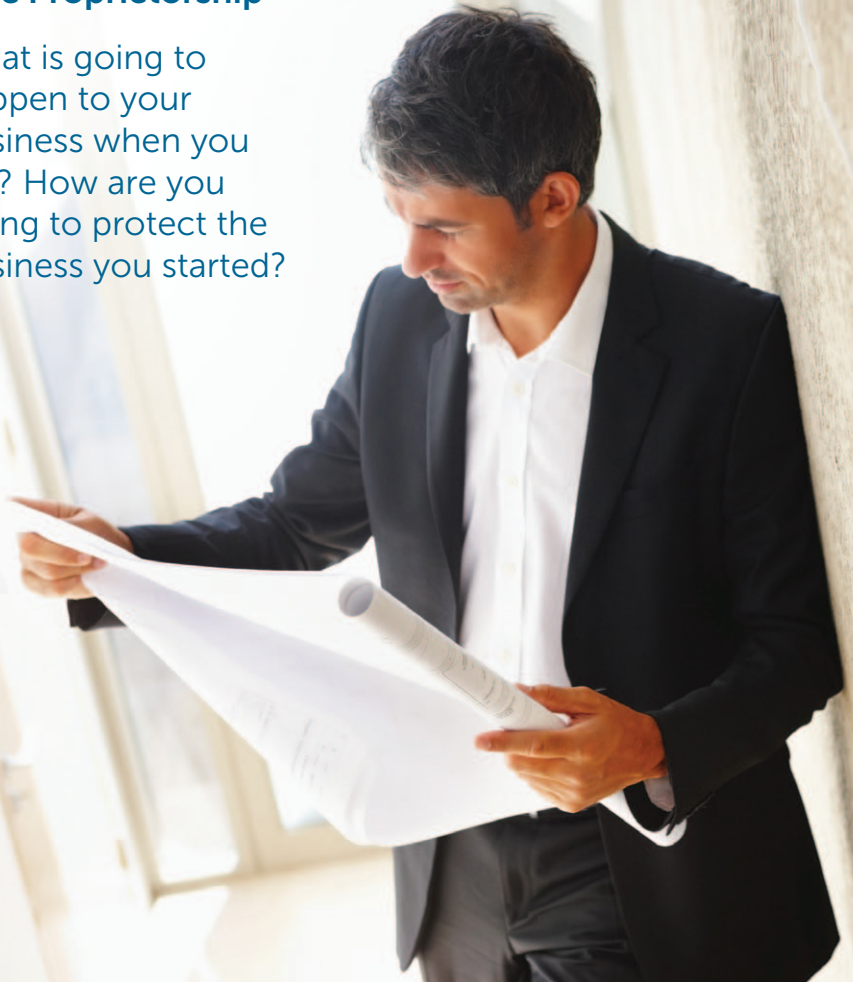


BUSINESS WIND-UP, BUY SELL

Sole Proprietorship

What is going to happen to your business when you die? How are you going to protect the business you started?



Your business today

- Success is due primarily to **your** management and entrepreneurial ability
- Even with the profit-making employees, **you** are still its most valuable asset
- You have **full control** over what happens
- All **profits** belong to **you**. All **losses** are paid by *you*
- **You** distribute the **work load** amongst your employees, but final decisions belong to **you**
- The business is **profitable and safe** due to your experienced leadership but it has no separate legal existence from you

Nearly 80% of all sole proprietorships could not have opened their doors this morning if the owners had died last night.

Without a prearranged plan

- Death terminates your proprietorship. The business automatically becomes part of your personal estate.
- Die without a **will...** the administrator appointed by courts expected to close out your business and liquidate it as quickly as possible.
- Have a **will...** unless specific authority given to executor to continue the business, it will be treated as any other asset of estate and would be settled without delay.
- Without such **will** authority... an executor can often use his own discretion with consent of heirs, and continue to operate the business.
- Executor becomes personally liable for any loss that may be incurred if business not operated in such a manner.
- Notwithstanding this, the executor may be compelled by any one of the heirs to liquidate, demanding his or her share in cash.

You have four choices

1. Executor can run it, until it's sold.
2. Liquidate the business.
3. Your heirs can run it themselves.
4. Valued employee(s) or associate can buy it.

Each of these options comes at a price. Where will the money come from?

The 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 your death.

An alternative is a Funded Buy Sell Agreement

This is a written contract between you and your valued employee(s) providing for the sale and purchase of your ownership interest in the event of your death.

A properly designed agreement:

- Places the valued employee(s) in full control
- Establishes a means of determining the fair value

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 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

During your lifetime	<ul style="list-style-type: none">• You will increase the loyalty and efficiency of your employees• Increased loyalty means bigger profits• Credit improved if suppliers and banks know your business will continue after your death• You will have control as long as you live
After your death	<ul style="list-style-type: none">• There will be a qualified buyer at a fair price• Creditors protected against a forced sale• Estate will be freed from responsibility of operating the business• Your business will live on• Employees rewarded for loyalty and contributions to success of business
To your heirs	<ul style="list-style-type: none">• Guarantees a fair price in cash• Removes your assets from the hazard of shrinkage or loss in a speculative business• Frees your personal estate from liability to business creditors• Controls value of your business for tax purposes

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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