A MUST READ IF YOU ARE IN BUSINESS

WHY YOU NEED A BUY SELL AGREEMENT

A Buy Sell Agreement is an agreement between shareholders (separate from a Constitution) or partners (separate from a partnership deed) setting out;

1. What happens concerning your interest in the business:

    (a) If you die, suffer total permanent disability or Trauma, (i.e. how can you turn your interest in the business into money for your family).

    (b) If your co-shareholder or business partner dies or suffers incapacity, (i.e. will you end up working with somebody who can no longer "pull his or her weight" or with their spouse (as the inheritor under their Will) trying to get involved, or can you force the deceased/incapacitated party to sell out and if so, for how much).

    (c) If you want to exit the company, (i.e. when you wish to retire, is there an orderly process for this to happen at a fair price or could "obstacles" be put in your way).

2. What shareholders expectations are concerning each entering into agreements with their spouses/relationship partners sorting out ahead of time what happens to shareholdings in the business if they split up (i.e. specifically we can require shareholders to enter into a property relationship agreement with their spouse whereby they agree that in the eventuality of a separation that the business falls into the share of the person who is active in the business and the spouse is only entitled to claim other assets).

3. Who holds what insurance over which key personnel and when and to whom in these eventualities, is it paid.

Sooner or later ONE OR MORE OF THESE THINGS WILL HAPPEN to you and although often an orderly arrangement can be arrived at, in other situations what is an already stressful time is turned into a positive nightmare with such events triggering in-fighting, "book cooking" and the total breakdown of what was once a good working relationship, as various party's suddenly find themselves under pressure to buy or sell what has often been up to that point, their life's work.

Incidentally you should review at the same time;

1. Your estate planning and whether or not as part of this;

    (a) Can you legally <u>minimise the amount of income tax</u> you are liable to pay, (i.e. by possibly;

        (i) Restructuring, so as to spread income between yourself, the business, trusts and family so as to maximise marginal income tax brackets.

        (ii) Swapping non tax deductible borrowing for borrowing that is tax deductible).

    (b) If a Family Trust is desirable.

    (c) Your Wills, Living Wills and Enduring Powers of Attorney are up to date.

2. Terms and Conditions of Trade.

3. Whether or not you have written Employment Agreements.

4. Whether or not you should have a Property Relationship Agreement (or if you have an old one, a review of that).

We would suggest that you;

1. Call us to arrange a short meeting for a flat fee to discuss;

    (a) How this would work for you.

    (b) If deciding to proceed, likely cost.

2. Contact your insurance broker to discuss availability of relevant insurance. We can refer you to brokers if you would like.

If you like what you hear, we can then proceed further, in the unlikely event you don't, then at least you will have addressed the matter and made an informed decision.

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