

What is a Buy/Sell Agreement?

Protecting the interests of you, your family and your business

If you own a business, it's likely it will be one of your most valuable assets and sources of income.

It's important to document what will happen if you or your business partner suddenly dies, becomes disabled or suffers from a terrible illness or trauma.

Who'll take over control and ownership of the business?

Who'll pay for it, and how?

Will the interests of you, your family and the business be protected?



A Buy/Sell or Shareholders Agreement captures the answers to these questions and allows the smooth transfer of ownership when an unexpected event happens.

Funding a change of ownership with Buy / Sell Insurance

Buy/Sell Insurance provides the money to buy out the departing owners share and gives the remaining owner(s) options around the future of the business.

It reduces the risk of:



Forcing the business to be sold to pay out the departing owner or their estate



Diminishing control or assets being frozen due to legal difficulties created by the departing owner, or their spouse or estate



Dispute or legal action being taken over a valuation or pay-out figure
A spouse becoming an active business partner against the remaining owners wishes



The departing owner, spouse or estate selling their share of the business to an undesirable third party



A spouse taking claim to business profits without doing any work.

Three key risks covered by Buy/Sell Insurance

The three main risks covered by Buy/Sell insurance include:

- 1 Suffering a terrible trauma or critical illness such as heart attack, stroke or cancer (Trauma / Critical Illness)
- 2 Becoming totally and permanently disabled (TPD Insurance)
- 3 Passing away unexpectedly (Life Insurance)

Ownership of the Policy

To ensure all parties interests are considered with Buy /Sell insurance, who 'owns' the Policy is important.

It impacts:

- Who controls the Policy
- The payment of premiums
- The business structure
- Future ownership changes
- The tax treatment of the proceeds

Your Buy/Sell or Shareholders Agreement also needs to match the policy ownership structure.

The options around ownership include:

Self-ownership

The person insured owns the policy. They keep control of their policy, even if they leave the business.

Cross-ownership

The business owners take out insurance on each other so the Policy ownership changes with changes in business ownership.

Insurance trust

A trust owns the policies on behalf of all business owners, so policy ownership is not affected by changes in business ownership.

Business entity

The trading entity owns the policies on the business owners' lives. Policy ownership is not affected by changes in business ownership.

You've worked too hard to leave the fate of your business in the hands of chance.

To find out how we can help you please call (03) 9551 2822 or email us at wealth@ashfords.com.au

This information has been produced by Ashfords Wealth Advisors Pty Ltd. ABN 93 086 288 306 (AFSL) No. 226184. The information provided on this document is general in nature only and does not constitute personal financial advice. The information has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on any information on this document you should consider the appropriateness of the information having regard to your objectives, financial situation and needs. Therefore, before you decide to buy any product or keep or cancel a similar product that you already hold, it is important that you read and consider the relevant Product Disclosure Statement (PDS) of the product provider to make sure that the product is appropriate for you. Before making any decision, it is important for you to consider these matters and to seek appropriate legal, tax, and other professional advice.