



BUY/SELL AGREEMENT PLANNING GUIDE

Prepared by
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Member of New Zealand
Financial Services Group

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Peace of Mind for your family, just contact us.



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Buy/Sell Agreement Planning Guide

A suitable Buy/Sell Agreement Plan will normally cost in the region of \$3,500 to \$5,000 if prepared by a lawyer.

This Planning Guide will give you an efficient and economical opportunity to craft a robust agreement which will protect your business, yourself and your family should an unexpected tragic event occur to any one or more of the shareholder/directors - providing financial security and peace of mind to all the parties.

Most standard Buy/Sell Agreements do not offer this certainty of outcome and peace of mind to your family.

While the shareholders of a business may have a very good personal relationship and may have confidence in each other for the families to be looked after in the event of something tragic happening, the reality is that in the unexpected absence of one of these shareholders, you are no longer dealing with each other, but with professional advisers, lawyers, banks and creditors who will not be so sympathetic and will all be looking for money wherever they can find it easily.

The planning guide will help the shareholder/directors to not only plan what is to happen to the shareholdings, company debts, personal guarantees and shareholders' current accounts but how each of these issues is to be funded. The value of key people to the business also needs to be thoroughly researched and the anticipated costs and loss of profits associated with the loss of such a key person need to be provided for. The most efficient way of funding is normally an appropriate insurance contract over the lives of the shareholders/directors, and this option is usually much cheaper than borrowing to fund each of these activities following the occurrence of a tragic event. In fact, borrowing to cover existing debt is probably not possible.

Few businesses have sufficient reserve liquidity to be able to provide a cash solution, and the loss of a key person and subsequent devaluation of the affected business will discourage financiers from allowing further borrowings.

I strongly recommend that if you are considering using this guide, that you book a FREE meeting with me to help you through the decision making process so that you have the full use of my 29 years' experience in this type of planning exercise.

Please feel free to contact me for a free Business Continuity consultation. [CLICK HERE](#) to book



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Buy/Sell Agreement for Your COMPANY	Company Name
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Share ownership

Shareholder #1 Name	
Estimated value of shares held directly and indirectly.	\$

Shareholder #2 Name	
Estimated value of shares held directly and indirectly.	\$

Shareholder #3 Name	
Estimated value of shares held directly and indirectly.	\$

Shareholder #4 Name	
Estimated value of shares held directly and indirectly.	\$

Shareholder #5 Name	
Estimated value of shares held directly and indirectly.	\$

Shareholder #6 Name	
Estimated value of shares held directly and indirectly.	\$



SHARE TRANSFER

If your business partner dies, do you want to be in business with your deceased partner's widow's new boyfriend's accountant and lawyer?

If you die, will your family want to remain in business with your surviving shareholder(s) or would they rather have the cash?



WHAT WOULD BE THE BEST RESULTS FOR YOUR FAMILY?

<p>Shareholder/executive 1</p> <p>In the event of a death of this shareholder, – what is the preferred option for the future ownership of the shares?</p>	
<p>In the event of a Total and Permanent Disability of this shareholder, – what is the preferred option for the ownership of the shares?</p>	
<p>In the event of a successful critical illness claim for this shareholder, – what would you prefer to happen? See page #9 for more information</p>	

<p>Shareholder/executive 2</p> <p>In the event of a death of this shareholder, – what is the preferred option for the future ownership of the shares?</p>	
<p>In the event of a Total and Permanent Disability of this shareholder, – what is the preferred option for the ownership of the shares?</p>	
<p>In the event of a successful critical illness claim for this shareholder, – what would you prefer to happen? See page #9 for more information</p>	

<p>Shareholder/executive 3</p> <p>In the event of a death of this shareholder, – what is the preferred option for the future ownership of the shares?</p>	
<p>In the event of a Total and Permanent Disability of this shareholder, – what is the preferred option for the ownership of the shares?</p>	
<p>In the event of a successful critical illness claim for this shareholder, – what would you prefer to happen? See page #9 for more information</p>	

<p>Shareholder/executive 4</p> <p>In the event of a death of this shareholder, – what is the preferred option for the future ownership of the shares?</p>	
<p>In the event of a Total and Permanent Disability of this shareholder, – what is the preferred option for the ownership of the shares?</p>	
<p>In the event of a successful critical illness claim for this shareholder, – what would you prefer to happen? See page #9 for more information</p>	

<p>Shareholder/executive 5</p> <p>In the event of a death of this shareholder, – what is the preferred option for the future ownership of the shares?</p>	
<p>In the event of a Total and Permanent Disability of this shareholder, – what is the preferred option for the ownership of the shares?</p>	
<p>In the event of a successful critical illness claim for this shareholder, – what would you prefer to happen? See page #9 for more information</p>	

<p>Shareholder/executive 6</p> <p>In the event of a death of this shareholder, – what is the preferred option for the future ownership of the shares?</p>	
<p>In the event of a Total and Permanent Disability of this shareholder, – what is the preferred option for the ownership of the shares?</p>	
<p>In the event of a successful critical illness claim for this shareholder, – what would you prefer to happen? See page #9 for more information</p>	

BUSINESS DEBTS AND PERSONAL GUARANTEES

Personal guarantees given by company directors to secure company debts are normally Joint and Several- meaning that all parties are responsible for the entire debt.



Personal Guarantees survive death and are a prior charge on the deceased's estate and need to be extinguished before the estate can be settled. If these Personal Guarantees are not dealt with, the family of a deceased or disabled shareholder will be unable to access the estate until this issue is resolved. This could take years and could involve huge legal costs.

The financial stability of a company may be diminished by the exit of a key person, and a lender may insist on full or partial repayment of a debt before releasing the guarantee.

SIGNATORIES TO PERSONAL GUARANTEES

Shareholder/executive 1 Total debt	\$
Shareholder/executive 2 Total debt	\$
Shareholder/executive 3 Total debt	\$
Shareholder/executive 4 Total debt	\$
Shareholder/executive 5 Total debt	\$
Shareholder/executive 6 Total debt	\$

SHAREHOLDER CREDIT CURRENT ACCOUNTS AND TERM LOANS TO THE COMPANY



If there is a credit balance in the shareholder current account or there are outstanding loans to the company, this should be taken into account as the surviving family members and/or trustees will demand re-payment of the funds held in the current or loan account.

A company is unlikely to have access to sufficient funds to enable this to happen.

Likewise, if the shareholder has taken drawings or a company term loan, this would need to be repaid in the event of a death or serious disability

<p>Shareholder/executive 1 Total amount owed to the shareholder by the company (CREDIT) – OR -total amount owed to the COMPANY by the Shareholder – (DEBIT)</p>	<p><input type="radio"/> Debit Account</p> <p><input type="radio"/> Credit Account</p> <p>\$</p>
<p>Shareholder/executive 2 Total amount owed to the shareholder by the company (CREDIT) – OR -total amount owed to the COMPANY by the Shareholder – (DEBIT)</p>	<p><input type="radio"/> Debit Account</p> <p><input type="radio"/> Credit Account</p> <p>\$</p>

<p>Shareholder/executive 3 Total amount owed to the shareholder by the company (CREDIT) – OR -total amount owed to the COMPANY by the Shareholder – (DEBIT)</p>	<p><input type="radio"/> Debit Account</p> <p><input type="radio"/> Credit Account</p> <p>\$</p>
<p>Shareholder/executive 4 Total amount owed to the shareholder by the company (CREDIT) – OR -total amount owed to the COMPANY by the Shareholder – (DEBIT)</p>	<p><input type="radio"/> Debit Account</p> <p><input type="radio"/> Credit Account</p> <p>\$</p>
<p>Shareholder/executive 5 Total amount owed to the shareholder by the company (CREDIT) – OR -total amount owed to the COMPANY by the Shareholder – (DEBIT)</p>	<p><input type="radio"/> Debit Account</p> <p><input type="radio"/> Credit Account</p> <p>\$</p>
<p>Shareholder/executive 6 Total amount owed to the shareholder by the company (CREDIT) – OR -total amount owed to the COMPANY by the Shareholder – (DEBIT)</p>	<p><input type="radio"/> Debit Account</p> <p><input type="radio"/> Credit Account</p> <p>\$</p>

KEY PEOPLE

People and revenue are the lifeblood of every business and the two are inextricably linked; i.e. revenue depends on people and people depend on revenue.

If a business is to be able to continue trading following the sudden unexpected loss of personnel to a serious life risk (i.e. disablement, trauma or death), it must remain solvent and able to continue meeting its financial obligations as well as maintaining shareholder value.



Will the loss of a key person affect the value or profitability of a business? In any Continuity Plan the effect on the cost structure and the profitability of the company due to the loss or temporary or permanent disability of a Key Person needs to be calculated, and steps put in place to minimise the negative impact on the business profitability and valuation.

Please identify Key People within the business(including Shareholders) whose loss , either short term or permanent, would adversely affect the profitability of the business.

NAMES OF KEY PEOPLE	ESTIMATED CONTRIBUTION TO PROFIT
	\$
	\$
	\$
	\$
	\$
	\$
	\$

TRAUMA IN BUY/SELL AGREEMENTS.

Trauma is statistically the most likely tragic event for the owners of a business to face. It should not be ignored as part of the contingency plan. It can be difficult but not impossible to implement, however the owners must have full understanding of how it can work.

The effects of a major trauma occurring to a shareholder's ability or desire to work vary considerably, and must be taken into account.

If the event is a serious and ongoing illness or injury, an exit from the business is a likely eventual outcome. The owners have also given themselves a window within which to make that decision. This is commonly called a "Sunset Clause" and is usually a six month period. A decision should be made within that period, depending on the level of recovery and also the wishes of the sufferer who may decide they have no wish to continue in the business, or the affected shareholder may decide to stay in the business.

For further information around how you can build a Trauma clause into a Shareholder Contingency Plan, I suggest that you book a complimentary discussion [HERE](#).

This e-Planning Guide has been prepared for your information and guidance by Barry Vincent FLBA CIA. - Financial Adviser -FSP 294626. Disclosure Document is available on request.

Please feel free to pass this E-book on to friends, business acquaintances or other business people whom you feel might benefit from the information.



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To Book a consultation with Barry, please click this link

Book A Call