

## What Happens If One of Your Partners Dies First?

Buy/Sell (or Equity) Insurance is about ensuring the life of your Business after the death of one of your Partners.

- If one of your Partners died, would you want to remain in Business with their spouse? Their accountant? Their lawyer? Their incredibly spoilt, Porsche driving son?
- If your Partner's Estate wanted to sell his Equity, how would the Purchase Price be worked out?
- Could you guarantee the Estate would only seek the fair value of the Equity?
- Would the Estate take into account the other needs and liabilities of the Estate, thus inflating the sale price?
- If one of your Partners died today, could you write a cheque for your share of his Equity?
- How could you afford the Purchase Price? Existing cash? Sell an asset? Borrow more from the bank?
- If you had to sell an asset unexpectedly, how long would it take?
- Could you get full value for it?
- Would you have to pay legal fees and other expenses on the sale?
- Would you have to pay capital gains tax on the sale of the asset?
- If you had to borrow some (or all) of the Purchase Price, would your bank be comfortable?
- Would the bank want additional security for the loan?
- Are you already over-encumbered?
- What interest rate would the bank charge?
- Could you fund the repayments out of your share of the Business income?
- If this is all too hard, would you have to sell the whole Business? Would you get full value for it? How would you survive afterwards?