BLUEPRINTS FOR TOMORROW®

Preparing for the Unexpected™

Funding a Buy-Sell Agreement

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Even the best buy-sell agreement can fail if its funding mechanisms are not well thought out. All parties involved should consider appropriate funding for each included trigger. Death is usually the easiest trigger to fund for if adequate insurance is purchased on the lives of the parties to the buy-sell agreement.

What if insurance is not available at a reasonable price? What if the amount of the insurance is less than the buyout price? What if one of the insurance policies does not pay a death benefit, perhaps due to a suicide or failure to pay a premium? Often, the parties consider purchasing disability buyout insurance to cover the funding for a disability trigger. The expense of that insurance is usually high compared to life insurance.

What if the parties still want to have a disability buyout trigger, but can't or won't buy an adequate amount of disability buyout coverage? And what about triggers for which insurance won't work? Properly drafted buy-sell agreements should have contingency plans in effect for the possibility that insurance fails or is otherwise unavailable. Since most businesses, or their owners, can't afford to come up with a lump-sum payment in the event of a trigger, the backup plan usually means the business or owners of the company will purchase the relevant business interest over time.

About Our Company

Blueprints For Tomorrow is a nationally recognized financial services company that specializes in contingency, succession, and transition planning with a focus on growing businesses and improving cash flow.

We work directly with closely held businesses to create customized strategies and solutions that ensure the future of their organizations. As a third-generation company with over 40 years in the industry, we have the pleasure of serving thousands of clients and their families across the country.

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The buyout over time generally uses a promissory note structure. For example, if Partner A is supposed to buy out Partner B's business interest for $1 million, they might structure the buy-sell agreement so that A pays B in monthly installments. At the time the buyout is triggered, the seller — B in this case — is probably more interested in a shorter installment period and higher interest rate, while the buyer – A in this case – likely wants a longer term and lower rate. Anticipating the possible conflict at buyout, the parties should settle the amortization rate, term, down payment, and frequency of payments in the buy-sell agreement.

We Prepare Business Owners for the Unexpected

It takes a lifetime to build a business and it takes a moment for it to fall apart. All it takes is an unexpected death, an unforeseen illness, or a key personnel departure. Business owners must understand the possibilities, prepare for the risks, and plan for their continuity and succession. Protecting the business means protecting the families that depend on it. The financial stability is interconnected. We understand this because we live it ourselves. ***- Founder, Nathan S. Sachs, CLU, ChFC, CFBS, CTP***