



Important Questions in Buy-Sell Review

Buy-sell agreements are valuable business planning tools. Sometimes known as business succession agreements or business continuation agreements, they allow business owners to control who they are in business with and the terms on which they or other owners may leave. Most attorneys do a good job explaining how the agreement works and what each owner's responsibilities are. Sometimes, however, to evaluate the agreement's effectiveness, it is often useful to ask some important questions about what it covers and how it will be implemented.

Questions About the Agreement

1. Does your agreement cover ALL the important transition events? _____
(Death, Disability, Divorce, Retirement, Termination, Bankruptcy, Criminal Conviction, etc.)
2. Does the agreement PREVENT you from passing on your interest to your spouse, children or grandchildren?

3. Does your agreement REQUIRE the purchase of a departing owner's interest, or is the purchase OPTIONAL?

4. Will the implementation of the agreement result in a change of voting control? _____
5. If another owner's interest is purchased, do you get a cost basis increase? _____
6. Is the agreement designed to favor the remaining owners or the departing owner? _____

Questions About the Funds Backing Up the Agreement

1. If the business was sold to outsiders today, how much would you want for your interest? _____
How much would you get under the terms of your buy-sell agreement? _____
2. If you had to sell your interest today, how much money would be needed? _____
How much has been set aside to purchase it? _____
Where will the rest of the money come from? _____
How long will you have to wait for it? _____
3. Suppose something happens and you have to buy another owner's interest:
How much money have you set aside to purchase it? _____
Where will you get the rest? _____
How much time do you have to get it? _____
4. Are 101(j) forms on file to keep any business-owned life insurance death benefits from being taxable? _____
5. When was the last time you and the other owners formally reviewed your buy-sell agreement and its funding?

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