DON'T LOSE YOUR MOST VALUABLE FAMILY ASSET! **By: Robert Williams, CPA**

In the majority of family-owned businesses, the head-of-household or "head of family" most often owns 100% of the business. And this business ownership is frequently the most valuable family asset. Without proper planning, the value of the business asset is lost upon death, disability, or other circumstances.

Interests in family businesses typically have very limited markets for sale. This is particularly problematic when the business owner either has no heirs to inherit the deceased owner's interest or has heirs who are poorly equipped or unwilling to take over the business. If the business owner passes the business to children who are not interested in continuing, they may be forced to sell their interests at a discounted price to a third party. Worse yet, the business may just wind down, with no value received at all.

SOLUTION: The one-way buy-sell agreement! This is an agreement in which the owner and a third-party business or individual agree to sell/purchase the business interest upon death, disability, or other triggering event. ***The agreement should fix the value of the business interest and ALL RELEVANT TERMS, in order to achieve a smooth, orderly business transition.***

The buyer will often purchase life insurance on the business owner that will fund the purchase price. Upon the owner's death, the buyer uses the insurance proceeds to purchase the business interest from the owner's estate which, in turn, then distributes the proceeds to the owner's family according to his wishes.

Though insurance is not the only method that can be used to fund the one-way buy-sell agreement, it does provide a level of certainty that usually cannot be achieved through other methods, such as buyer or traditional bank financing. Relying on buyer or traditional bank financing provides no guarantee to the owner that those funds will be available when needed.

If the strategy is implemented far enough in advance, the cash value that accumulates in the policy provides a degree of flexibility so that the one-way buy-sell agreement can be funded using tax-free policy loans if the business must be transitioned before the owner's death (upon disability or other triggering event).

In conclusion, an insurance-funded one-way buy-sell agreement can provide business owners with the confidence of knowing that the value of possibly the family's most valuable asset is not lost.

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