



Business Continuation Planning

Avoid These 8 Common Buy-Sell Agreement Pitfalls

Make sure your business is protected if you or one of your partners dies or becomes too sick or hurt to work. To help stay on the right track with your buy-sell agreement, avoid these eight common pitfalls:

- 1 The buy-sell agreement only addresses the death and not disability of an owner.
- 2 The agreement addresses disability, but the buy-out clause is not properly funded with disability buy-out (DBO) insurance or other funding source.
- 3 You and your partners have DBO insurance, but the amount of coverage is insufficient.
- 4 The language of the agreement does not match the DBO insurance policy in terms of:
 - Disability definition
 - Waiting period length
 - Payout terms
- 5 The agreement does not have a schedule or exhibit listing DBO insurance policies.
- 6 The agreement uses book value as the buy-out price. Unfortunately, book value rarely represents the going-concern value of a profitable company.
- 7 The agreement uses a stipulated buy-out price that has not been updated in years.
- 8 The agreement does not stipulate a mandatory buy-out in the event of an owner's disability. Without a mandatory purchase obligation by the company or other owners, a disabled owner may not have a buyer for his or her shares.

No-cost business planning services

Principal Life Insurance Company offers complimentary business planning services to help you navigate business continuation issues. Our team of professionals:

- Reviews buy-sell agreements to identify potential oversights and funding deficiencies
- Conducts informal valuations of your business and helps identify exit planning strategies

FOR MORE INFORMATION

Contact your local representative.



WE'LL GIVE YOU AN EDGE®

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