

**The risk is real...**

Around 2,500 Australians die each week and no one business, occupation or age group is immune.<sup>1</sup>

**Chance of one partner...<sup>2</sup>**

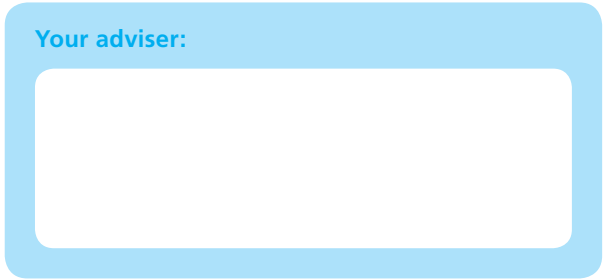
No. of partners	Dying before age 65	Dying or totally disabled before age 65
2 Partners	35 in 100	52 in 100
3 Partners	47 in 100	67 in 100
4 Partners	57 in 100	77 in 100
5 Partners	66 in 100	84 in 100
6 Partners	77 in 100	89 in 100

1. Australian Bureau of Statistics 2008.  
2. Zurich Mortality and Morbidity calculator, 2004.

**How your financial adviser can help...**

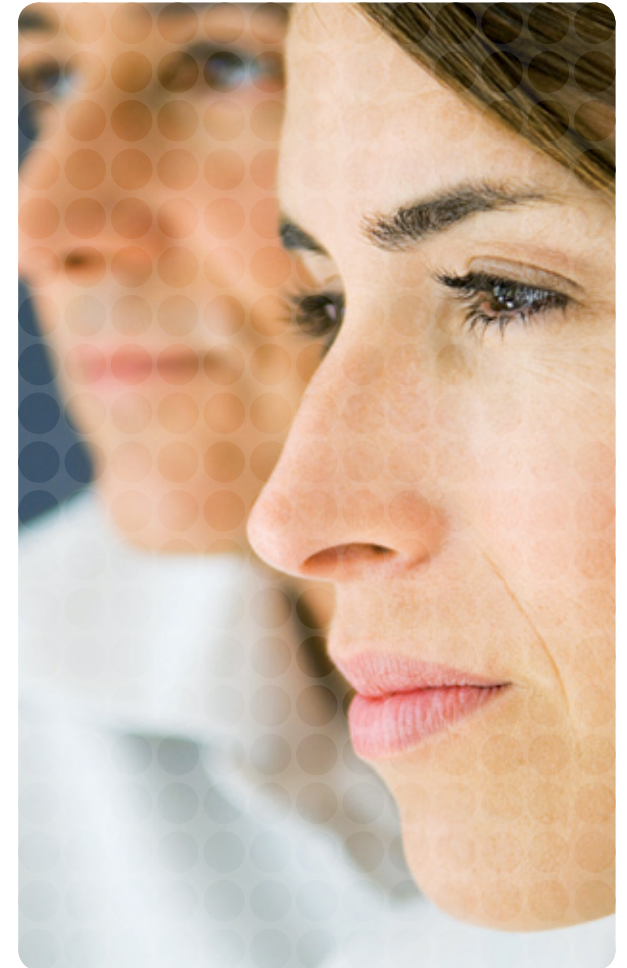
Business Insurance is a specialised field of insurance. It is strongly recommended you consult trained advisers who can undertake the detailed analysis of what is required and who can tailor a protection package to meet the individual needs of your business.

A specialist adviser will work with you to understand your business needs and create a Business Succession plan. Your adviser will then work with a specialist lawyer to ensure the documentation is correct and accurate. They will work with you and your accountant to ensure that the business is properly valued and that the insurance level or funding plan is appropriate to your needs.



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**You never know who you might end up working with... or for!!!**



# Secure your family by protecting your businesses future

You put in a lot of effort and personal sacrifice to build and run a business. Delivering goods or services, watching the costs, getting the right connections and the right people in place are keys to success. Your wealth is generated and often locked up in your business.

Should one of the partners in your business suddenly die or suffer total and permanent disablement what do you think would happen to his or her share in the business? Without Business Succession planning and without a formalised Buy/Sell agreement one of the following outcomes may occur:

1. The deceased's estate may demand a payout of a size that will force your business to be sold.
2. The heirs may insist on direct involvement in your businesses operations even though they may lack the necessary skills.

Business Insurance is a simple concept that aims to remove the worry and financial hardship these unplanned events can cause. There are three areas of business insurance:

- Key Person Insurance
- Business Succession Planning
- Guarantor Protection

This flyer explores the needs and benefits of Business Succession Planning.

## What is Business Succession planning?

Business Succession planning is an arrangement which ensures business ownership can be transferred effectively to the right party at the right price with the funding provided.

Business Succession planning minimises disruption and avoids the necessity for additional borrowing or asset depletion in already adverse circumstances.

## What is a Buy/Sell agreement?

A Buy/Sell agreement is the formal agreement that ensures that if a trigger event occurs, the intended owner buys the business and the beneficiary sells the business at a price predetermined and agreed by all.

## Where does the funding come from?

Generally speaking, an insurance policy will provide the cash required by the buyer and seller alike when a trigger event, such as death occurs.

## Take control – know the outcome

**Avoid a lack of funds** – if a Business Succession plan and Buy/Sell agreement are in place. The remaining business partners can pay the 'estate' the agreed amount required without having to sell the business they worked so hard to create.

**Avoid new business partners with the wrong skills** – the legally binding contract prohibits the heirs from entering into the business arrangements. The heirs are protected as the remaining partners have the funds to 'buy out' the remaining share of the business.

## A Case Study

Peter ran a small successful real estate company with his business partner Anthony. Anthony unfortunately developed cancer and died suddenly. Anthony left everything to his wife Susan, and she inherited Anthony's interest in the real estate business.

Susan had never been involved with the business. She did not want to learn the business and told Peter she would camp on his doorstep until he purchased Anthony's half from her.

Susan had relied heavily on Anthony's wage. She needed money to support herself and her 3 children.

Peter would have been happy to pay Susan her share of the value of the business if:

1. He knew what the business was worth
2. Susan agreed with the value
3. Peter could find the money to pay her

Peter and Anthony – with their adviser, accountant and tax lawyer – could have prepared a Business Succession plan to deal with a principal:

1. Dying
2. Becoming disabled
3. Retiring
4. Resigning

Susan could have then required Peter to purchase her share of the business for the pre-determined price. Alternatively Peter could have required Susan to sell her share of the business for the pre-determined price.