- *If something happens to you, what happens to your business?*
- *Is your family protected?*
- *Are your finances protected?*
- *Is your business safe?*
- *Have you taken steps to protect the health of your business?*

PLANNING FOR THE PRIVATE CORPORATION

Business

solutions that meet your objectives

STANDARD LIFE

The Standard Life Assurance Company

www.standardlife.ca

If something happens to you, what happens to your business?

If you or one of your company's shareholder's dies, what will happen to your business? If a shareholder dies and there is no business continuation plan in place, the results for the survivors (and the business) can be disastrous. What was once a prosperous, profitable business can be completely wiped out.

Three solutions to protect your business and your family

By taking the time to make some important decisions, you can maximize the value of your business and ensure the best possible situation for your dependants.

In the case of the death of a shareholder, there are three main options: orderly liquidation, orderly retention, or orderly sale.

1. Liquidation

The best alternative upon the death of a shareholder may be liquidation if:

- **There is no acceptable replacement for the deceased**
- **There is insufficient personal estate liquidity**
- **There is a lack of corporate credit**

Legal considerations*

The shareholder's will should empower the executor to allow continuance of the business during the sale of assets. It should absolve the executor from personal liability during the wind-up period.

Life Insurance

- **Can offset the shrinking value of the business assets**
- **Can pay all estate administration costs**
- **Can provide the heirs with the cash equivalent of the deceased's business interest**

**At all times a legal professional should be consulted for the proper documentation*

2. Orderly Reorganization and Retention

In many corporations, surviving shareholders may be able to continue to run the business with the heirs of the deceased. This is a good solution if:

- **Heirs are willing and able to join surviving shareholder(s) in running the business**
- **Surviving shareholder(s) are willing to accept the family member**
- **Customers and creditors approve transfer of share ownership to heirs**
- **There are sufficient "other" assets to provide income for the surviving spouse and equal inheritances for children not connected with the business**
- **There is sufficient cash to overcome losses during changeover period**

Legal considerations*

To make the family retention of share ownership run smoothly, each shareowner should:

- **Authorize the executor to complete the transfer of shares to the surviving heirs**
- **Include a provision absolving the executor of liability during the transfer period**

Life Insurance

- **Can ensure business maintains financial stability and continues operations**
- **Can provide spouse with readjustment income until heirs are established as active shareholders**
- **Protects against financial hardship for all parties involved**

3. Sale to Surviving Shareholders

Each surviving owner's share of business is proportionately increased. Selling the deceased's shares to the surviving shareholders will be a good option if:

- **The business requires knowledge or skill not commonly found in spouses and children not already involved with the business**
- **Customers and creditors approve transfer of the deceased's business interest to surviving shareholders**
- **It prevents the introduction of new, perhaps unwanted management**
- **Heirs unwilling or unable to participate in the business**
- **Continuation of corporate credit is assured**

Legal Considerations*

Shareholders should establish an insured buy sell agreement that sets out the commitments to buy and sell the shares at an agreed value.

Life Insurance

- **Insured buy-sell agreement**
- **Business can maintain financial stability and continue operations**
- **Surviving shareholders receive funds that can be used to retain or increase their business interest**
- **Heirs are free of business worries and receive full value of the business without delay**

Buy Sell Agreement

To ensure a smooth transfer of ownership when a shareholder dies, establish an insured buy sell agreement between the deceased and surviving shareholders. It should specify that the surviving shareholders receive cash equal to the fair market value of the deceased's shares in order to buy that interest.

Shareholders

Initiate an amount of insurance on each principal's life to match his or her individual contribution. Review amounts periodically to reflect business growth.

Key benefits

- **Ensures the continuity of the business**
- **The plan can be arranged to provide a retirement fund for the shareholders**
- **A partner's interest in the company may be purchased upon retirement**
- **Improves image of the business**

After Shareholder's Death

Each surviving shareholder's interest in the business is proportionately increased.

Key benefits

- **Preserves goodwill**
- **Provides immediate cash**
- **Least expensive method of providing purchase funds**

Deceased's Estate

The heirs receive a fair cash settlement in exchange for the shareholder's interest in the business.

Benefits

- **Heirs receive full predetermined value of the business**
- **Heirs are freed from business worries**
- **Money is available at a crucial time**

Standard Life

In Canada, The Standard Life Assurance Company has $30 billion in assets under management and offers a wide range of financial products and services to over one million individuals, including group insurance and pension plan members. Its 2,400 employees are committed to providing superior customer service from its principal office in Montréal and its 20 sales offices across the country. Products and services include group savings and retirement, group insurance, individual life insurance, savings and retirement. Through affiliated companies, it also offers mutual funds and portfolio management services. Total premium income and deposits reached $3.6 billion in 2002.

The Standard Life Assurance Company, founded in Edinburgh (Scotland) in 1825, is Europe's largest mutual life insurance company with over 12,000 employees, $208 billion in assets under management and over 5 million customers in the United Kingdom, Canada, Ireland, Germany, Austria, Spain, India, China and the United States. The Company has also established a representative office in South Korea. The Company is described as having excellent financial strength by two major international, independent rating agencies. Its total premium income reached $26.8 billion in 2002.

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