

Is your business prepared for the sudden departure of one of its owners?

Without a buy-sell agreement, you may be facing an uncertain future

Here's the problem...

If your business loses an owner, the remaining owners must decide how the business will continue. Generally, you have four options. You can close down the business, but you likely wouldn't want to after all the time, energy and money you've put into it. You can continue the business with the new owner (for example, the spouse of the deceased owner), but do you want to be in business with this person? You can sell your shares, but who will buy them and at what price? Or finally, you can purchase the shares from the deceased owner's estate.

What are your options?

A formal buy-sell agreement covers the terms of ownership and operation of the business. It usually deals with the death, disability and retirement of one of the owners, as well as disagreements about running the business that result in an owner wanting out. The agreement often includes a formula or process for valuing the business to simplify the buy-out of an owner. Generally, the agreement deals with:

- who will buy the shares
- what the terms of the sale will be
- when the sale will take place
- where the money to buy the shares will come from
- and what the purchase price will be.

The best solution

Proper funding must be in place to ensure the agreement is viable. Without funding, agreements can fall apart because the remaining owners, obligated under the terms of the agreement to purchase the departing owner's shares, may not be in a financial position to do so.

There are a number of ways to fund a buy-sell agreement. Consider your options:

- you can start saving today
- you can borrow the funds from a bank
- you can take the funds from current earnings
- you can sell assets, or
- you can purchase life insurance and disability insurance to provide the funds needed.

Life insurance can be the most cost-effective solution to fund a buy-sell agreement when an owner dies. It guarantees that money is available when needed. What you get is peace of mind knowing things are taken care of. To find out more, contact your advisor.



Buy-Sell - Example of a typical situation...

ABC Company Shareholders	% Ownership	Current Value of Shares	Projected Value of Shares in 36 Years @ 4.0%
Mr. A	25%	\$250,000	\$1,025,983
Mrs. B	25%	\$250,000	\$1,025,983
Mr. C	50%	\$500,000	\$2,051,966

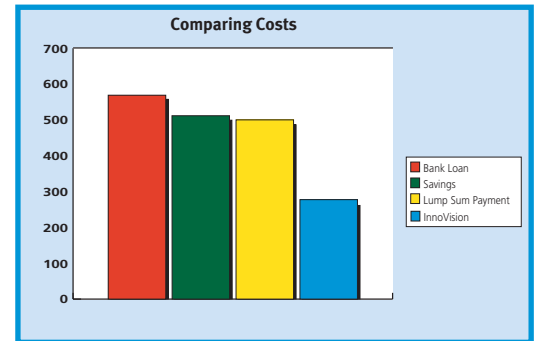
Assumptions:

Buy-sell Information:	Death of Mr. C in 36 years.
Buy-sell Method:	ABC Company to redeem Mr. C's shares
Corporate Tax Rate:	51.00%
Present Value Discount Rate:	4.00%

The Alternatives:

Bank Loan (ABC Company borrows \$2,051,966 to fund the share redemption)	
Loan amortization period (years):	5
Loan rate:	8%
Cost of borrowing in current dollars:	\$549,768
Savings (ABC Company establishes a savings plan that grows to \$2,051,966 in 36 years)	
Annual deposit:	\$25, 872
Before tax investment rate:	8.00%
Cost of savings plan in current dollars:	\$508,756
Lump Sum Payment (Company uses cash from operations of \$2,051,966 to fund share redemption)	
Cost of lump-sum payment in current dollars:	\$500,000
Life Insurance (At death, life insurance proceeds used to fund share redemption)	
InnoVision initial death benefit:	\$500,000
Death benefit in 36 years:	\$2,051,966
Annual premium:	\$12,735
Cost of life insurance in current dollars (before tax investment rate of 4%):	\$250,431

Based on M, age 45, HS3, Face Plus, Level COI, 6% policy interest rate



InnoVision - the better choice!

- A more cost-effective solution combining protection and investment flexibility for your buy-sell needs
- Protection flexibility – you design the protection to meet your needs – you can choose either a simple single coverage solution or add riders like Protection Indexor Rider and Business Value Protector Rider to increase your protection automatically to match a growing insurance need
- Investment flexibility - Additional deposits above the minimum amount required grow within the policy on a tax sheltered basis to provide part of your protection solution as shown in the example above – choose from a wide range of investment options including fixed interest and equity options
 - You receive regular statements including rates of return that let you monitor the performance of your policy
 - You can track the performance of your investment daily on our website – www.manulife.ca/ul
 - You decide the amount and number of deposits to suit your needs and cash flows
- Your solution is backed by the strength of Manulife Financial, one of the largest life insurance companies in Canada