



BUY-SELL PLANNING: PROTECTING YOUR BUSINESS FROM UNEXPECTED RISKS

DECEMBER 2025

NORTH RISK WEBINARS | 2025



LOGISTICS



Ask questions via the Questions box



Two-question survey at the end



Webinar is recorded

 **Follow-up email sent tomorrow with link to slides & recording!**

PRESENTER



Steve Walker, CLTC[®], LUTCF[®]

Vice President of Institutional Accounts
E4 Insurance Services

DISCLOSURE

- Steve Walker, and E4 Insurance Services, does not give legal or tax advice. Please consult with your legal and tax professional on any of these matters.
- This presentation is meant to be education, and therefore not all encompassing of all potential considerations. Please reach out to your Risk Advisor to have an individualized discussion around your needs.

AGENDA

- What is a Buy-Sell Agreement?
 - Why is it important?
- Start With The End In Mind
 - Business Valuation (current & future)
- 3 Key Components
 - Triggering Events
 - Establishing the Value
 - Buyout Terms
- Liquidity/Purchase Options
- Questions and Next Steps



WHAT IS A BUY-SELL AGREEMENT

- Legal document drafted by your attorney that controls and/or restricts the transfer of business interests.
- Helps provide orderly succession of a business.
- There are 3 key components:
 1. Triggering Events
 2. How is the value determined
 3. Terms of payment

START WITH THE END IN MIND

- How much is your business worth today?
- How much will your business be worth on a specific, and unknown, date in the future?
- How is the business value determined?

START WITH THE END IN MIND

- Think about your own Personal Financial Statement
 - Real Estate
 - Investment Portfolio
 - Liquid Cash
 - Large-Cap vs Small-Cap
 - Business Interests
- What percentage of your total assets is your ownership in your business? 10%, 50%, 90%???
- If you are wondering about what YOUR business is worth, reach out to your Risk Advisor to discuss a complimentary Informal Valuation.

POLLING QUESTION

3 KEY COMPONENTS

- Get the business owner's goals and objectives for succession planning in one legal document.

3 Key Components of a Buy-Sell Agreement:

1. Triggering Events
2. Establishing the Value
3. Buyout Terms

TRIGGERING EVENTS

- What are the “triggers” to lead one party to SELL their ownership interest and another party to BUY that ownership interest?
- Death
- Permanent Disability
- Termination of Employment
 - Voluntary vs Involuntary vs Retirement
- Other Lifetime Transfers
 - Bankruptcy
 - Divorce
 - Incarceration
 - Morals Clause Violation

TRIGGERING EVENTS

- Do you WANT to address all of the triggering events?
- Not all buy-sell agreements are written equally.
- If you are interested in a review of your existing buy-sell agreement, reach out to your Risk Advisor to discuss a Complimentary Buy-Sell Review.

TRIGGERING EVENTS

- **Termination of Employment:**
 - Should the seller receive 100% of the value of their business shares regardless of the reasoning for terminating employment?
- **Other Lifetime Transfers:**
 - Do other partners want to be in business with someone going through certain lifetime events like a divorce, bankruptcy, going to jail, etc?

TRIGGERING EVENTS

- **Death:**
- **Permanent Disability:**
 - WHO and WHAT determines “permanently disabled”?

TRIGGERING EVENTS

- When the triggering event occurs...
- WHO will be the buyer?
 - Partner(s) as individuals (Cross Purchase)
 - Business Entity (Entity Purchase)
- Is the buyout MANDATORY or OPTIONAL
 - Who has first right of refusal?
 - **“Shall”** vs **“May”** - language matters

ESTABLISHING THE VALUE

- At the time a Triggering Event occurs, HOW is the value of the company determined?
- Can there be discounts if desired?
- Common ways to determine value:
 - Stated Value
 - Formula
 - Valuation

BUYOUT TERMS

- A Triggering Event occurred and the value of the company shares has been determined...
- WHEN is payment due to the seller (or their heirs)?
- Should ALL triggering events have the same “due date”?
- Things to think about:
 - Do I have the liquidity to payoff the full buyout?
 - Do I have the liquidity for a downpayment?
 - Will I need to rely on cash-flow from the business?
 - How long can the seller (or their heirs) delay/extend the buyout?

POLLING QUESTION

FUNDING THE PURCHASE:

LIQUIDITY OPTIONS

- Trigger Event happened, Value has been determined, Payout Terms are understood, now....
- How am I going to fund the buyout?
 - **Cash** - I have the money available to pay for the buyout.
 - *This Costs Me:* Dollar-For-Dollar PLUS Lost Opportunity Cost
 - **Cashflow** - Buyer and Seller have agreed to terms of a payout over time with cashflow from the business.
 - *This Costs Me:* Dollar-For-Dollar PLUS Lost Opportunity Cost
 - **Bank Loan** - A bank gave me a loan after losing a partner.
 - *This Costs Me:* Dollar-For-Dollar PLUS Interest
 - **Insurance** - I have paid ongoing premiums to have the liquidity when needed.
 - *This Costs Me:* Pennies on the dollar due to LEVERAGE

LAST THING BEFORE TAKING QUESTIONS



Buy-Sell Planning for Business Owners

Business owners need to understand that an owner is likely to pass before retirement. Having a funded buy-sell plan is important for the following reasons:

- **Succession Planning:** A funded buy-sell agreement is a crucial component of succession planning, ensuring a smooth ownership and leadership transition.
- **Risk Mitigation:** By addressing potential ownership changes in advance, business owners can reduce uncertainty and focus on growing their business.

In essence, a buy-sell plan agreement funded with life insurance provides a roadmap for the future of the business, protecting the interests of all owners and ensuring its long-term success.

How many business owners? 7

With seven business owners, the odds of at least one death before age 67 is:

50.61%

1) Male - 60

2) Female - 46

3) Male - 46

4) Male - 40

5) Male - 50

6) Female - 39

7) Male - 44

QUESTIONS?



THANK YOU FOR JOINING

- Reach out to your Risk Advisor at North Risk Partners if you would like to:
 - Discuss your own situation
 - Look at funding your existing buy-sell agreement with insurance
 - Get your complimentary Buy-Sell Review and/or Informal Business Valuation