

Shareholder Protection

Losing an owner can have a huge impact on the day-to-day running of a business and can quickly result in financial difficulties. Boardroom confusion can lead to conflict in decision making, as the surviving owners and the deceased's family may have very different ideas about the future of the business.

Jamerson & Partners Case Study*

The business is worth £1,500,000 and each partner has an equal share. In the event of one of them dying before retirement, the business owners want the option to be able to buy the deceased partner's shareholding.



Scenario 1

The partners take out partnership protection on an own life basis for £500,000 of life insurance and write it under a suitable business trust

- ◆ George dies unexpectedly
- ◆ The £500,000 benefit is paid to the surviving partners. The money (and cross option agreement) means the partners can buy out the share of their late colleague
- ◆ George's family receive pre-agreed fair value for their loved one's share of the partnership
- ◆ The business continues to trade

Tax Implications

It is important to understand the tax implications of Shareholder Protection and which types of agreements would be more effective or tax efficient for you, based on your individual circumstances.

For further information and advice, please get in touch with our expert tax team.

*Example for guidance only, not based on a real company

Shareholders



Scenario 2

The business doesn't take out partnership protection

- ◆ George dies unexpectedly
- ◆ The remaining partners don't have the funds available to buy the deceased's shares
- ◆ George's family are unable to efficiently realise the value of their loved one's share of the partnership
- ◆ The future of the partnership is thrown into doubt as ownership is diluted and the decision making becomes difficult



Why Alexander & Co

Alexander & Co was established in 1976 and over the past five decades, has earned its reputation as one of the most trusted and dependable business advisors in the region.

With offices in Manchester City Centre and MediaCityUK, we provide a wide range of expert services in the fields of accountancy, taxation, corporate finance and business advisory, specialising in helping entrepreneurial businesses.

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