

## **Who Needs a Funded Shareholders' Agreement ?**

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I am constantly surprised at how few businesses - including family owned - have a current, funded, signed shareholders' agreement. Why is that?

The lawyers who design and draft agreements know their value as do the insurance advisors who fund them. Perhaps, as a well-known line from a movie suggests, "what we have here is a failure to communicate." I find questions to be the best way to get people thinking. Here are a few on this subject that may lead to an appreciation for the value of an agreement.

- 1) How will you resolve disputes?
- 2) Can someone buy your partners' shares without your consent?
- 3) What do you want to happen to your shares on your death?
- 4) What happens to your partner's shares on his or her death?
- 5) How will you fund the purchase of shares on a death or dispute?
- 6) How will you determine the price to be paid?
- 7) If one or more shareholders wants to sell shares, what happens?
- 8) If you or one of your co-shareholders has financial or marital problems, what happens to the shares?
- 9) If one of the shareholders becomes incapacitated, does salary continue? What happens to the shares?
- 10) Can you transfer your shares to other family members or a holdco?

We know from many years of working with businesses that a funded agreement can reduce tax, provide funds for the purchase and generally increase the likelihood of an acceptable result. Just as importantly, the agreement allows the business to continue to prosper in spite of a disruption that could have caused it to fail.