

Directors or Partners Share Protection

The issues that affect directors are similar to those that concern business partners.

Without initial planning and consideration if a director or partner dies the surviving directors run the risk of the shares passing to someone with no interest in the business, a different approach to running the business, or even to another company that might then be in a position to make a takeover bid.

The surviving directors/partners may want to know how they ensure that they have the automatic right to buy and ensure that they are able to afford to buy the deceased's share of the business from his or her estate. They might also want to know what would happen to the control of the business if this was not possible for financial reasons.

Similarly, if a partner dies without making specific provisions for their share of the business their interest in the business will likely pass to their estate. The family then has two alternatives:

- A member of the family could take over the deceased's position as partner
- The family could realise the value of the interest by selling it

Neither of these avenues is problem-free. If a member of the family takes over the deceased's position as partner there is no guarantee that he or she will be able to make any contribution to the business. In fact, in some cases their presence could be detrimental to the business.

A sleeping partner who is not involved but is entitled to a share of the profits may be a huge burden to the remaining partners. Also, the family may be unhappy to be in a position where they have no effective control over the profits of the business which they may be relying on for income.

If the interest is sold, the remaining partners may find themselves working with an unwelcome new partner or indeed there may be no natural buyers, in which case financial problems may surface not only for the family but also for the business.

It is possible to address these potential problems by arranging suitable Business Protection.

Arranging Directors/Partners Share Protection should also involve setting up a cross option agreement with all the directors/partners in the business, enabling the remaining directors or partners to purchase the share of the business from the deceased's estate. This will in turn provide the dependents with a willing buyer and with cash instead of shares or an interest in the business, allowing the right people to stay in control.

At White Oak Finance we can help you identify those areas of vulnerability and advise on the most cost-effective and efficient ways to provide a solution. Our initial consultation is about gathering information about you, your business and your key staff. This allows us to advise on the best means of protection which we then present to you in a clear and concise manner allowing you to make an informed choice as to the options available.

Call us today to see how we can help protect you and your business.

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