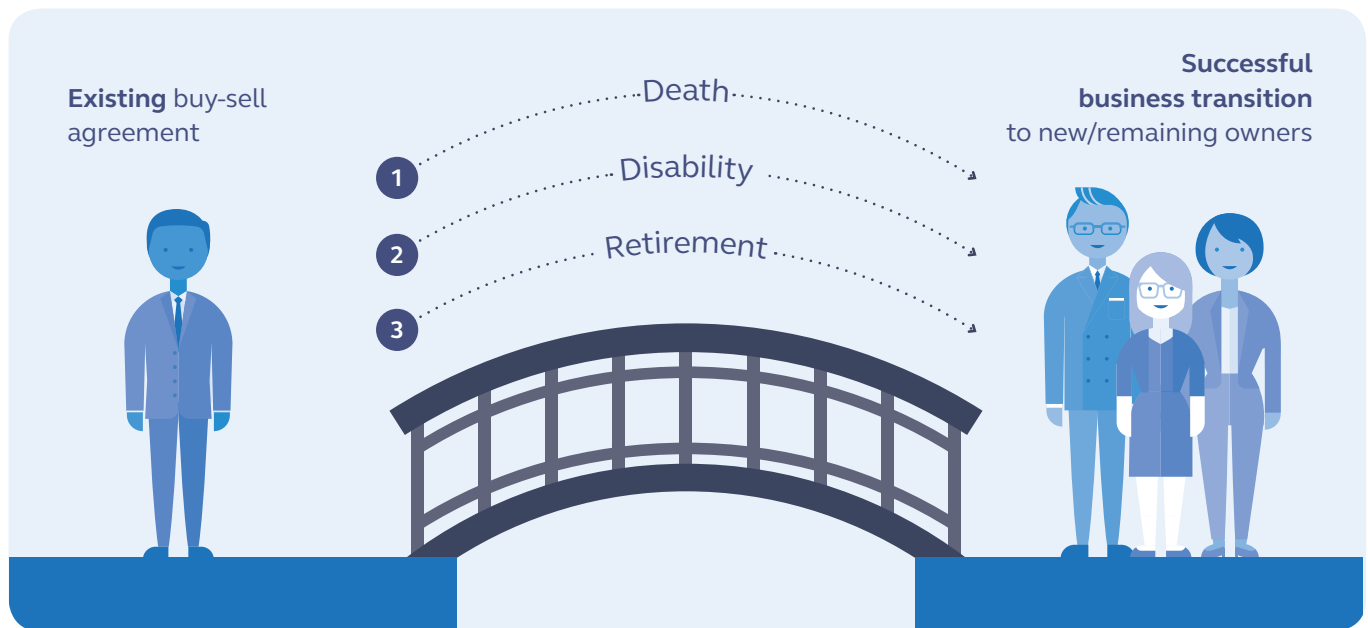
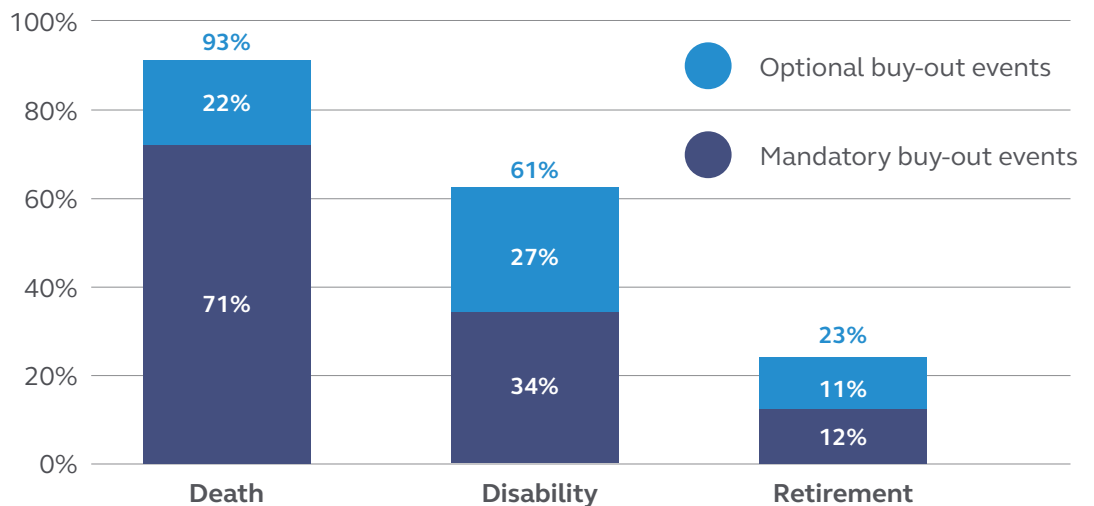


“My business is my retirement”... intent or reality?

An effective buy-sell agreement is at the root of a successful business transition plan. Best practice suggests these agreements should include at least the **top three mandatory triggers**.



Percentages of business owner agreements that cover the **top three transition events** and those that include them as **mandatory triggers**



While most business owners prefer to transfer their business during their lifetime, 93% of buy-sell agreements only account for transitioning a business at death. Disability and retirement are often overlooked. Consider addressing all three as mandatory triggering events to ensure the transition of your business is successful.

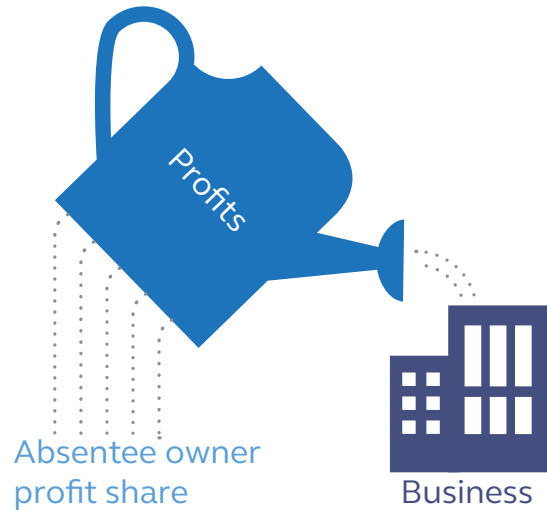
Potential consequences of poor planning

Impact to active owners

A disabled or retiring owner whose interest is not purchased becomes an “absentee owner” who may choose to no longer contribute to the success of the company. His/her continued pro rata **share of profits** can create an unnecessary **drain on company profits**.

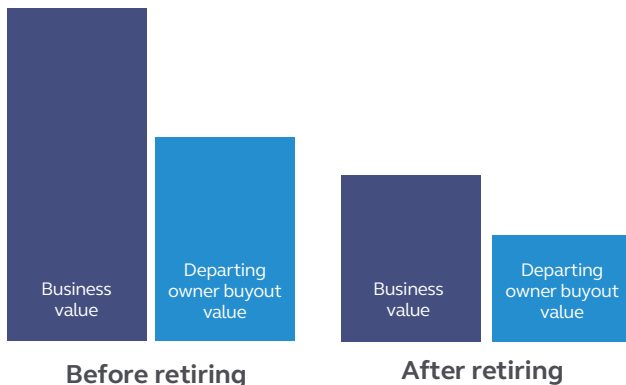


The absentee owner may still want input on **management and financial decisions**, causing **interference** with active owners.



Impact to departing owners

A retiring owner may be penalized if the value of the business drops after retirement, leaving a future buyout based on a lower company value at that time.



If the sale is left to negotiation **after the owner's exit**, it will likely result in **unfavorable terms**.



[Learn more](#)

Contact your financial professional or go to [principal.com](https://www.principal.com).

Source: Review of 1,561 buy-sell agreements by Principal Financial Group®, January 1, 2014 - January 31, 2018.



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