

Personal Shareholder Protection & Corporate Shareholder Protection

Have you got a succession plan in place?

The death or serious illness of a shareholder can have major repercussions for the future of a company. It can cause immediate financial hardship for the remaining shareholders and maybe even loss of control of the company. In essence, the death or serious illness of a shareholder can potentially jeopardise the future of the company and can have major implications for the remaining shareholders.

There is a very real possibility that your company will suffer the loss of a shareholder. The risk of losing a shareholder through death or serious illness may be a lot higher than you think.

1 in 5 of our claimants last year were aged 39 or under*

Why do you need a Shareholder Protection plan?

On death a shareholder's shares normally pass to their next of kin and the next of kin become new shareholders in the company. The change in share ownership can lead to potential problems for both the next of kin and the remaining shareholders. The next of kin may not want to become involved in the company and may want to sell their shares as soon as possible. The remaining shareholders may want to retain full control and ownership of the company and may not want to work with a new shareholder. A Shareholder Protection plan can help avoid these problems.

What are the consequences of not having a plan in place?

- The remaining shareholders may not have the capital required to buy back the shares from the next of kin. They may be forced to take out substantial personal loans in order to retain ownership of the company.
- If the remaining shareholders are unable to acquire the required capital sum they will be forced to take on the deceased shareholder's next of kin as new shareholders in the company.
- The next of kin may be unable to sell their shares if the Company's Articles of Association does not allow the sale of shares to an outside party and the remaining shareholders cannot afford to buy them.
- The next of kin may be unable to get a fair price for the shares on the open market.

What is the solution?

The solution is to have a Shareholder Protection plan in place. The plan consists of:

- A legal agreement - that on the death of a shareholder their shares are bought back from their next of kin.
- Life Assurance - to provide the financial capital required to buy back the deceased's shares from their next of kin.

What are the advantages of having a Shareholder Protection plan in place?

The plan benefits both the remaining shareholders and the deceased shareholder's next of kin. It can be set up in a tax efficient manner with remaining shareholders owning the deceased's share without paying inheritance tax:

- A capital sum will be provided to buy back the deceased shareholder's shares, ensuring the remaining shareholders retain full control of the company.
- The next of kin can rapidly realise the value of their shares and are assured of getting a fair price for them.

Is your business covered?

To find out more, talk to your local Bank of Ireland Insurance & Investments Manager, who will help you identify your business protection needs and recommend a plan for you and your business.

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* For quality and training purposes incoming and outgoing calls may be recorded. Call charges may vary depending on your service provider.

* Based on Bank of Ireland Life's 2008 claims experience.

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