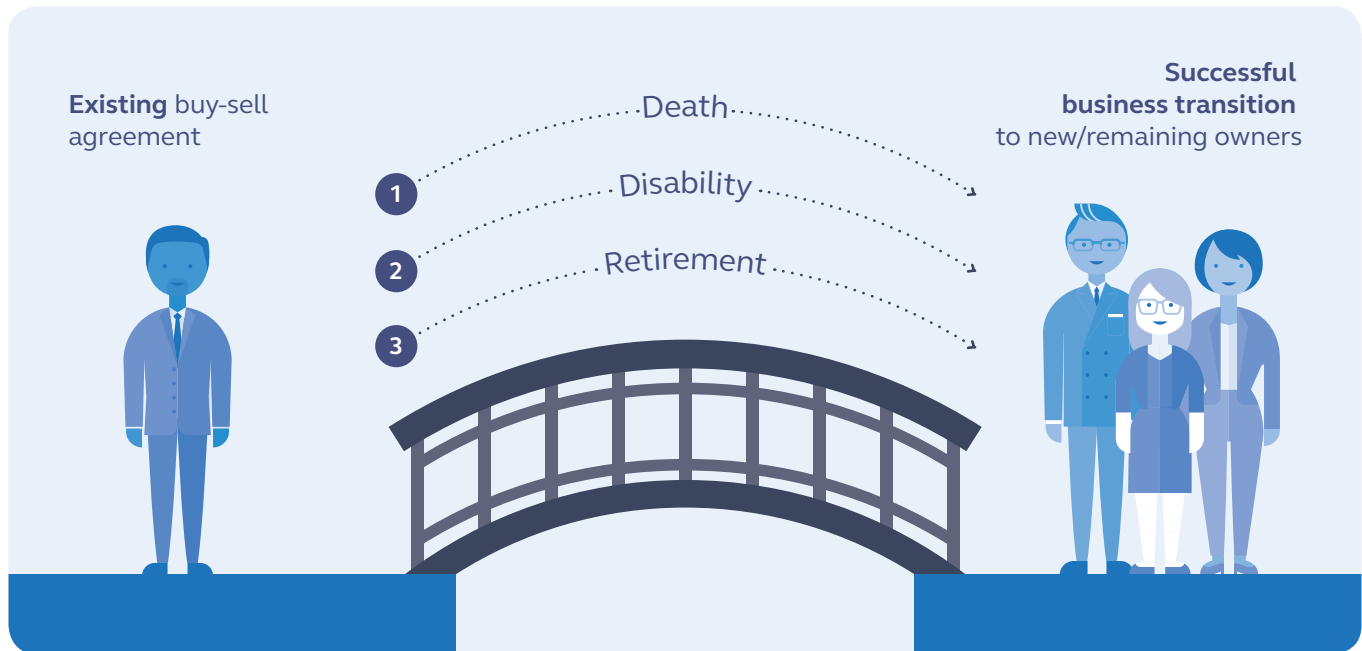
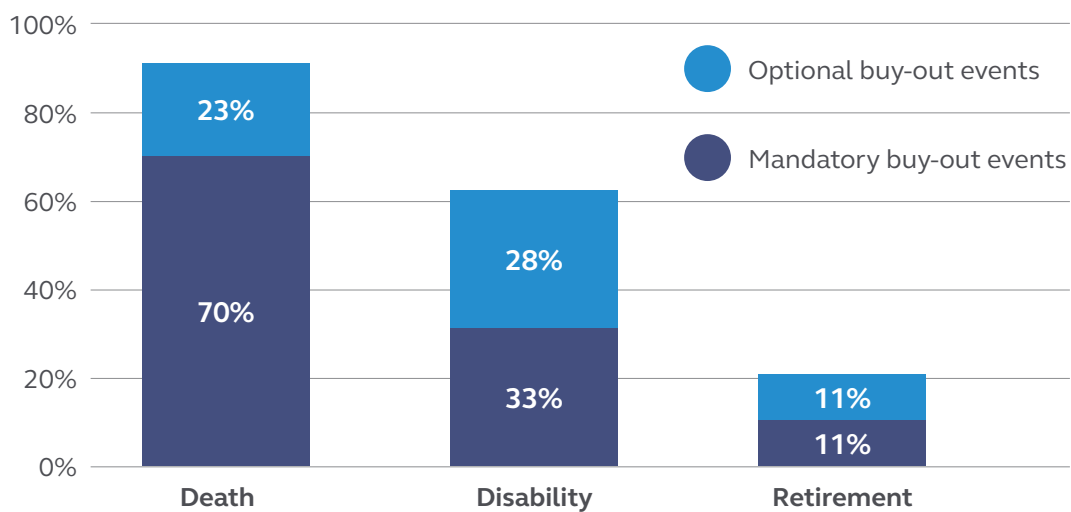


“My business is my retirement”— intent or reality?

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 buy-sell agreements account for transitioning a business at death, disability and retirement are often overlooked. Planning for these events will help ensure successful transition of your business.

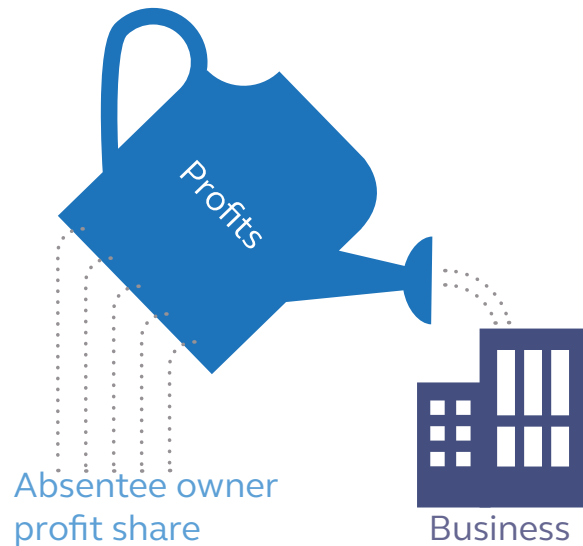
Consequences of poor planning

New/remaining owners

A 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.



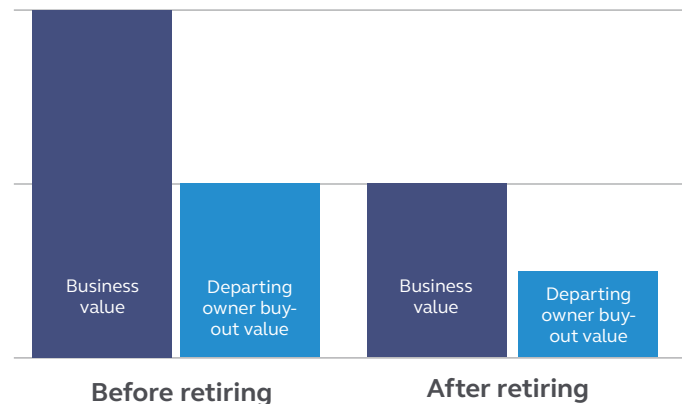
Exiting owners

For an absentee owner, income will be taxed as **ordinary income** instead of a capital gain and a **tax-free return of cost basis**.



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

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



[Learn more](#)

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

[principal.com](https://www.principal.com)

Source: Review of 1,485 buy-sell reviews by Principal Financial Group®, January 1, 2011 - January 31, 2017.

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