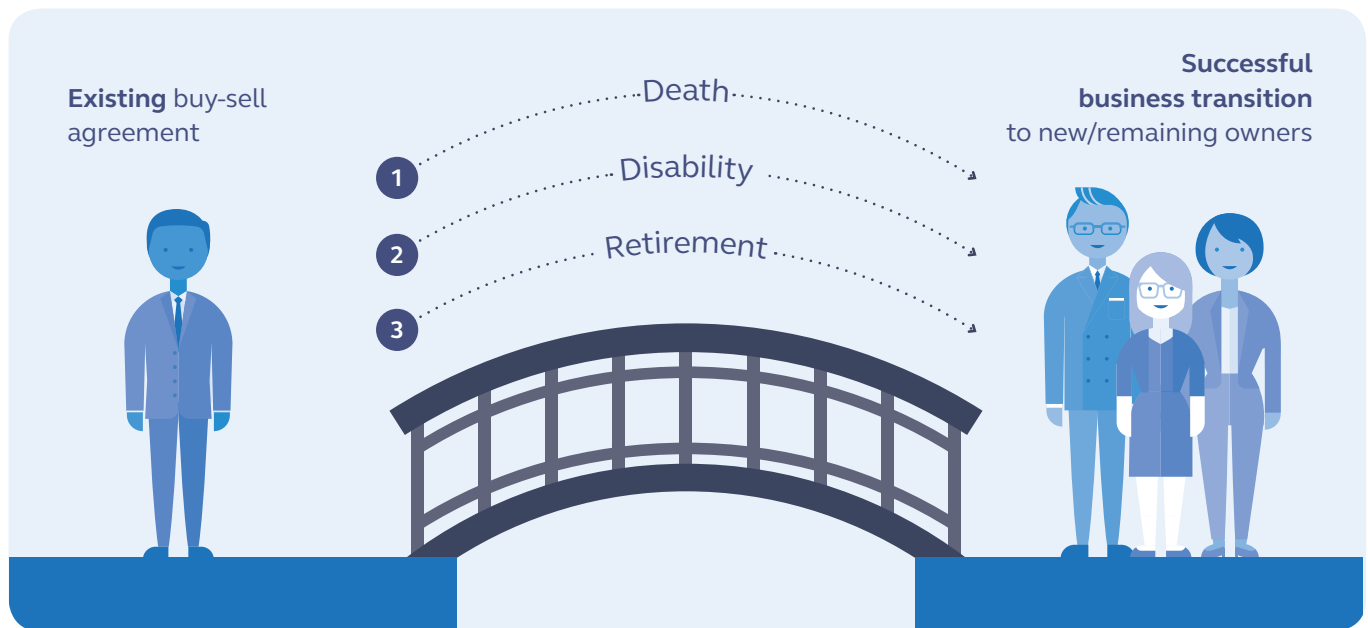
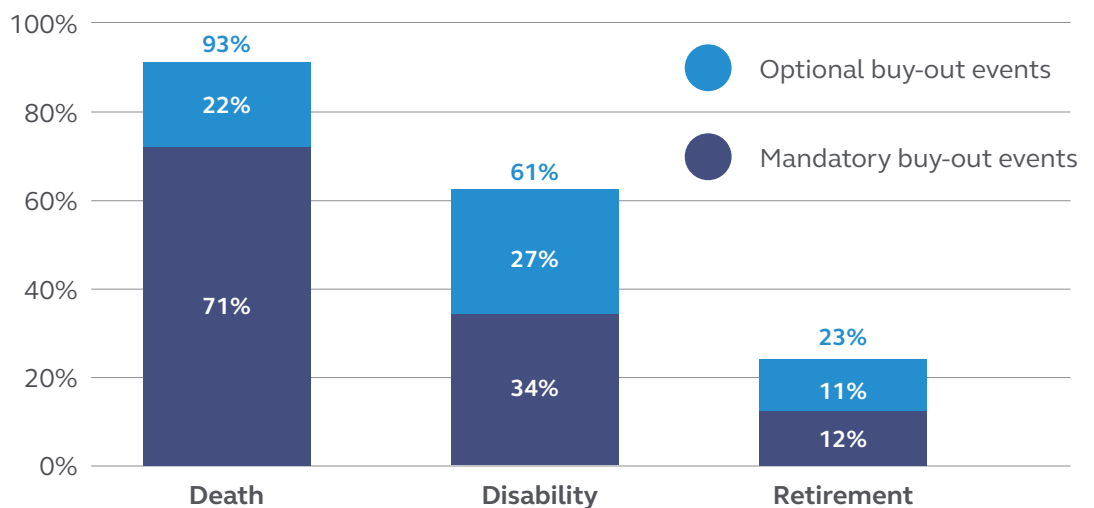


# “My business is my retirement”... intent or reality?

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.

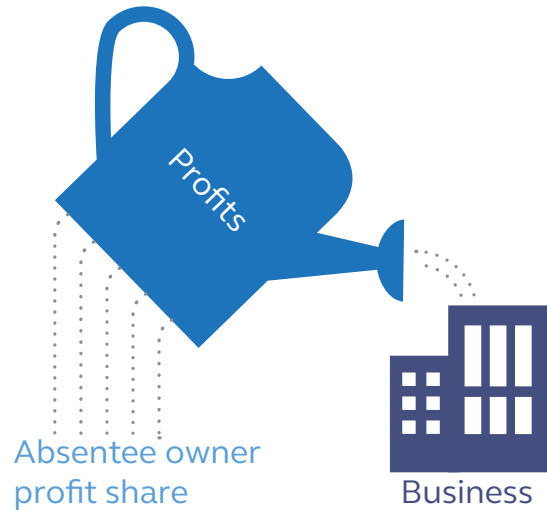
# Potential consequences of poor planning

## 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**.

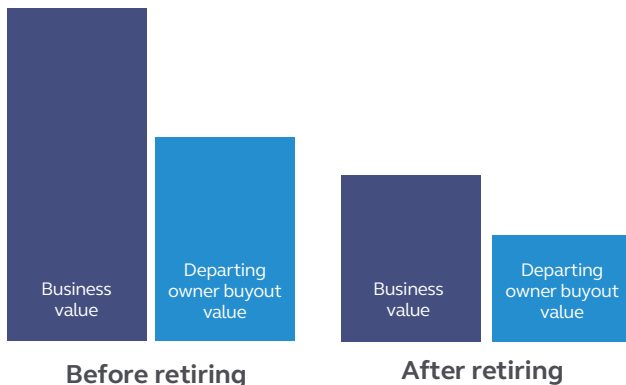


The absentee owner may still want input on **management and financial decisions**, causing **interference** with active owners.



## 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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