

Partnership Insurance

Is the future of your partnership at risk?

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

There is a very real possibility that your business will suffer the loss of a partner. The risk of losing a partner 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 Partnership Insurance plan?

Often a partner's share of the business will be the single largest financial asset he/she owns. On death their next of kin may expect a substantial and immediate payment from the remaining partners. This payment might include:

- Any capital that the partner had invested in the business.
- The deceased partner's share of undrawn profits.
- Payment for the partner's share of the goodwill.
- Any loans that the deceased partner had given to the business.

A Partnership Insurance plan can provide the necessary funds required by the remaining partners to meet their financial obligations.

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

- The remaining partners may be forced to take out substantial personal loans to make a payment to the deceased partner's next of kin in lieu of their interest in the partnership.
- If the remaining partners are unable to acquire the required capital sum they may be forced to take on the deceased partner's next of kin as their new partners. This may not be in the best interest of the business.

What is the solution?

The solution is to have a Partnership Insurance plan in place. The plan consists of two parts:

- A legal agreement - that on the death of a partner the remaining partners will buy back the deceased's share of the partnership and the next of kin will sell their inherited share to the remaining partners.
- Partnership Insurance - to provide the financial capital required by the remaining partners to buy back the deceased's share from the next of kin.

What are the advantages of the plan?

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

- A capital lump sum will be provided to the remaining partners to buy back the deceased partner's share of the business, ensuring the remaining partners retain full control of the business.
- The deceased's next of kin can rapidly realise the value of the deceased partner's share of the business for a capital lump sum.
- The remaining partners can inherit the deceased's share of the business without having to incur inheritance tax.

Help secure the future of your partnership by putting a Partnership Insurance plan in place.

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

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