

SHAREHOLDER PROTECTION

Case Study Example:

Diane owns a large Nursery, has two children and is married.

Within the Nursery business, there are two shareholders; Diane who owns 85% and her brother Matthew, who owns the remaining 15%. Currently the way the limited company is structured, Diane's shareholding (worth around £2m) will be inherited by her husband Iain, via her will - he plays no part in the running of the company.

Diane wanted to ensure that the business could continue to trade beyond her lifetime and that sufficient capital would be available for Matthew to buy the shares from Iain in the event of her death.



Solution:

A life insurance policy with a sum assured of £2m was set-up, funded by the company with Diane as the sole life assured. The policy was written in trust with a cross-option for the benefit of Matthew. In the event of Diane's death, the proceeds of the policy would be paid to Matthew and the cross-option agreement can be triggered to ensure that the £2m is used solely to purchase the shares from Iain.

A structure was now in place to ensure that the business could continue to trade beyond Diane's lifetime without the additional stress of requiring finance. An addendum was made to the will and a Power of Attorney was also set-up.

**Names and exact circumstances have been changed to protect the confidentiality agreement with our clients.*



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