Let's talk **business protection**

Directors' Share Protection Case Study

Kingswood Wedded Bliss (KWB) is a wedding planning company. There are three shareholding directors, Mrs Bliss with 51%, Mr White with 39%, and Miss Cotton with 10%. KWB is currently worth £1 million.

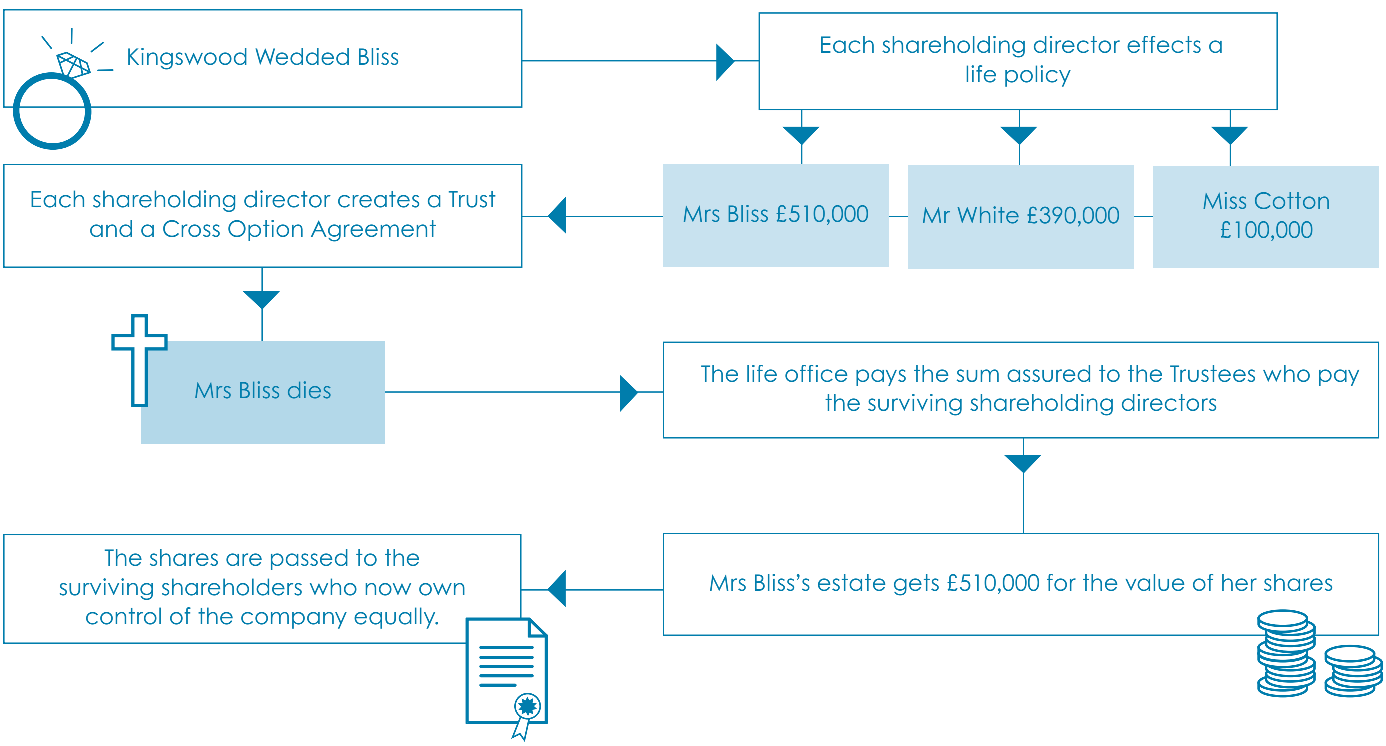
KWB has an efficient succession plan in place should any of the directors die unexpectedly. They have signed a cross option agreement and each director has a term assurance policy to retirement age for the value of their shareholding. The policies are under Trust for the other directors, with all three acting as Trustees.

Mrs Bliss dies suddenly

The life office pays out the claim value of £510,000 to Miss Cotton and Mr. White as Trustees and they use the money to buy Mrs Bliss' share from her estate.

Mrs Bliss' estate then has £510,000 cash, for the value of her Shares. The surviving shareholders continue with KWB business, with no further obligations to Mrs Bliss' heirs.

Protection premiums can differ, according to age, personal health and other circumstances. In KWB's case, Mr White was older than the other directors therefore his premium would have been higher. The directors were able to benefit from something called premium equalisation which ensured the cost of protection was divided fairly. premium equalisation reflects the business interest being protected, and establishes the policies are purely commercial in nature. This ensures there's no adverse IHT treatment on the arrangements. As the premiums are paid by KWB, it will be treated as a benefit in kind for each shareholding director.



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