

This solution puts into place a Cross Option Agreement entered into by all the shareholders of the company. The Agreement sets out an agreed share value and purchase formula in the event of a shareholder passing away. Connected to the agreement is the necessity to put in place a Will that means the deceased's shares and the proceeds of sale will be protected and the value of the shares preserved for family and dependents.

### Why set up a Cross Option Agreement?

The main reason is to enable surviving shareholders to buy a deceased shareholder's shares and to facilitate the trustees of the deceased shareholder to sell them. The agreement puts in place a formula to agree a minimum valuation of the shares and a revaluation at the date of death. The existing Accountants that advise the business will normally carry out the valuation. The absence of a Cross Option Agreement may leave remaining shareholders with a new shareholder (the family of the deceased shareholder) and the possibility that they cannot operate the business efficiently. As a rule, the family of a deceased shareholder that do not participate in the company are not interested in owning the shares but do want to be able to sell them and access the wealth built up in that company shareholding.

### Funding the Share Purchase

Having created the ability for buying the shares if a shareholder dies it is important to address the practicality of how to finance the purchase. Taking out individual life insurance policies on the lives of each shareholder up to an agreed minimum value can deal with this element of the share purchase. Your financial advisor and or your accountant will be able to assist in this regard and it is important that the life policies, when acquired, are written into a trust so that the policy proceeds are used for the purpose intended (buying the shares). We may be able to help using our Death Benefits Protection service – see [www.legalmatters.co.uk](http://www.legalmatters.co.uk) for details.

### Will Trust

Although our Business Wealth Protection solution includes the various elements of our Shareholder Protection solution the Will we draft includes a trust and letter of wishes so that the shares qualifying for full inheritance tax relief will pass to the Trustees. This means that when the shares are sold under the terms of the Cross Option Agreement the proceeds of sale will be held by the Trustees for the benefit of the beneficiaries you have chosen rather than passing outright to family members. This may save up to 40% inheritance tax on the cash from the share sale and preserve the cash for family use rather than it being wasted or passed onto a new family. The letter of wishes that guides the Trustees use of the money can be updated by you whenever you wish without further cost.

---

## Contact us

Call on 01243 216900

Email: [info@legalmatters.co.uk](mailto:info@legalmatters.co.uk)

Visit us at [www.legalmatters.co.uk](http://www.legalmatters.co.uk)

### Shareholders Agreement

At Legal matters we want you to have everything covered and our Shareholder Protection solution is included in the price. If you already have a Shareholder Agreement, then we will still draw up a Lasting Power of Attorney to cover you if you become unable to make financial decisions for yourself (an unexpected illness or an accident may for example render you physically or mentally unable to cope).

---

### Contact us

Call on 01243 216900

Email: [info@legalmatters.co.uk](mailto:info@legalmatters.co.uk)

Visit us at [www.legalmatters.co.uk](http://www.legalmatters.co.uk)