

Business Succession Planning

Major illnesses, permanent disablement or death of a business's owner can jeopardise the fruition from the hard work and investment contributed by partners or shareholders of the company. To ensure business continuity, a structured business succession strategy with proper planning and arrangements is essential.

Benefits

1. Creates a buying alternative for your business interest
 - Identifies an interested business buyer and sets a fair purchase price of your business interest before you pass away
2. Maintains close ties within your business
 - Arranges transfer of your business interest to co-owners, family members or key employees of your choice
3. Provides liquidity for your family
 - May help to settle part of or all outstanding liabilities
4. Improves the business' stability and minimises credit risks with a business continuation plan
5. Life insurance is a cost effective funding method, because*
 - It allows accumulation of a specific amount of money over a period of time
 - Non-guaranteed annual dividends are declared to increase your accumulated cash value
 - It allows you to change the life insured

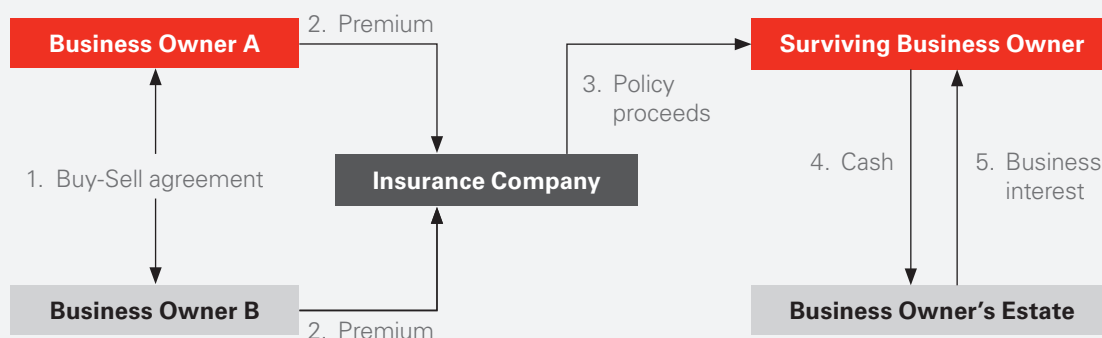
*Insurance product features vary amongst plans and are subject to underwriting approval. You are recommended to seek advice from your Relationship Manager or legal advisor.

How does it work?

Cross-purchase buy-sell and entity buy-sell are two main types of buy-sell agreements in business succession planning.

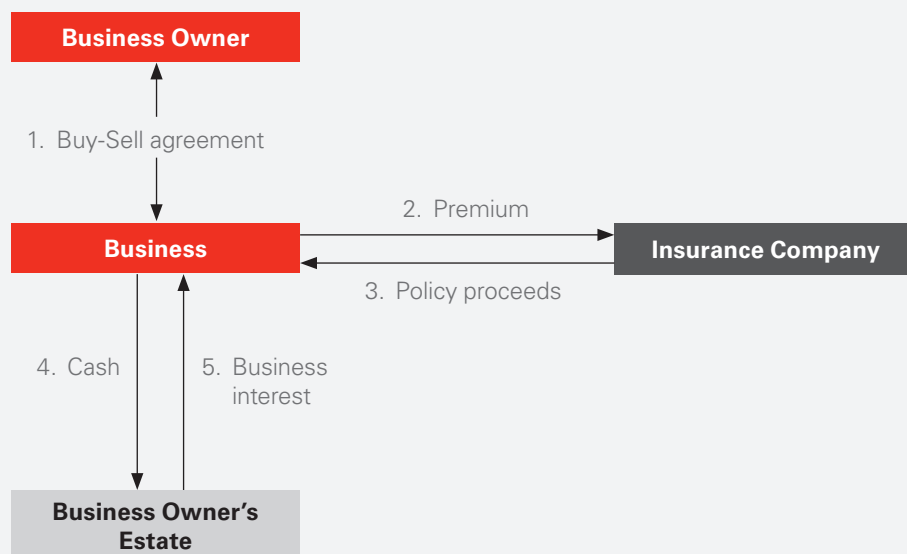
1. Cross-purchase buy-sell agreement funded by life insurance

A cross-purchase plan works best with three or fewer shareholders. When a triggering event occurs, proceeds from the life insurance policies owned by each shareholder are used for purchasing the business interests of other participating shareholders.



2. Entity buy-sell agreement funded by life insurance

The entity purchase plan, also known as a stock redemption plan, works best with four or more shareholders. When a triggering event occurs, proceeds from a life insurance policy owned by the business may be used to purchase a shareholder's interest.



What's next

For more information about our business succession planning solution, please visit any Business Banking Centre, call 2748 8238 or speak with your Relationship Manager for referral to an Insurance Sales Manager.

Important Notes:

1. All life insurance products are underwritten by HSBC Life (International) Limited.
2. HSBC Life (International) Limited is authorised and regulated by the Commissioner of Insurance of the Hong Kong SAR.
3. The Hongkong and Shanghai Banking Corporation Limited is an insurance agent authorised by HSBC Life (International) Limited.
4. The information shown in this document is general advice only and is not intended to constitute a recommendation or advice to any prospective customer and is not intended as a substitute for professional advice. All prospective customers and readers should not act on any information in this document without seeking specific professional advice.