

Why It Is Important to Divorce-Proof Your Business

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It has been said that small business is the engine of the American economy, and even today, many of America's small businesses are "mom and pop" start-ups – meaning that mom and pop are also husband and wife, which can put the entire business in jeopardy in case of a divorce.

One insurance company study released earlier this year said that over 60 percent of business owners have not planned to protect their companies in the event of a divorce. That is a lot of businesses in jeopardy.

If a business is jointly owned by a couple that is divorcing, there are a number of serious risks. The business may need to be sold so assets can be evenly divided. The business may suffer because of the distractions brought on by a divorce that would adversely affect the decision-making abilities of the owners.

One option to divorce-proof a business is a premarital or post marital agreement that spells out exactly what will happen to the business in case the owners divorce. Another option is a buy-sell agreement that can be triggered by events like a death or divorce. There are also trust instruments available to help business owners – married or not – divorce-proof their businesses.