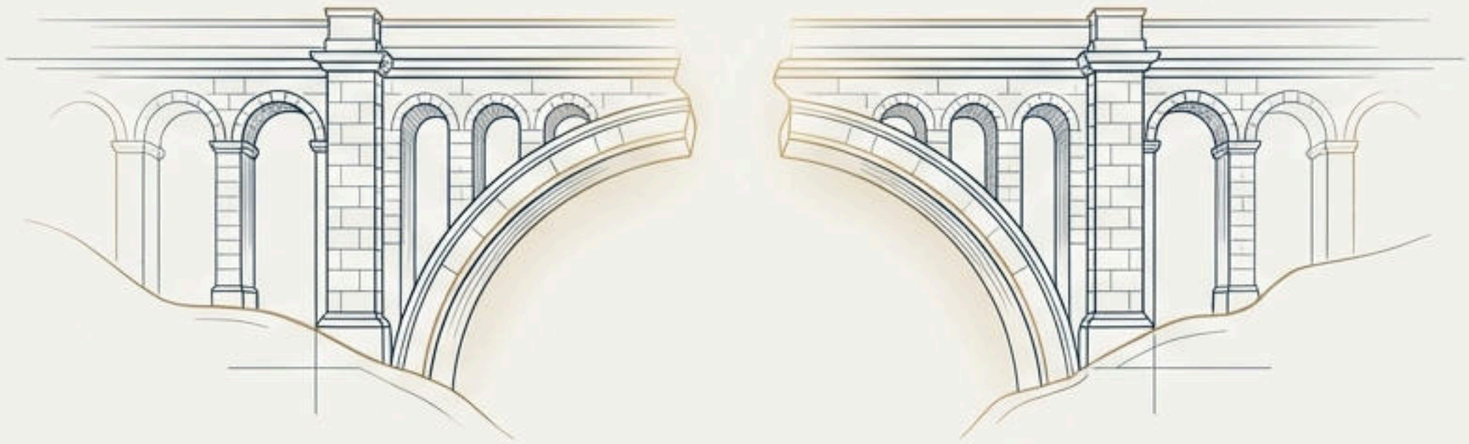
STRATEGIC ADVISORY WHITE PAPER



The Partnership Gap

Why Most SME Partnerships Are One Event Away from Collapse—and How to Fix It.

Authored by **Whee Teck**
30 Years in Banking & Financial Services

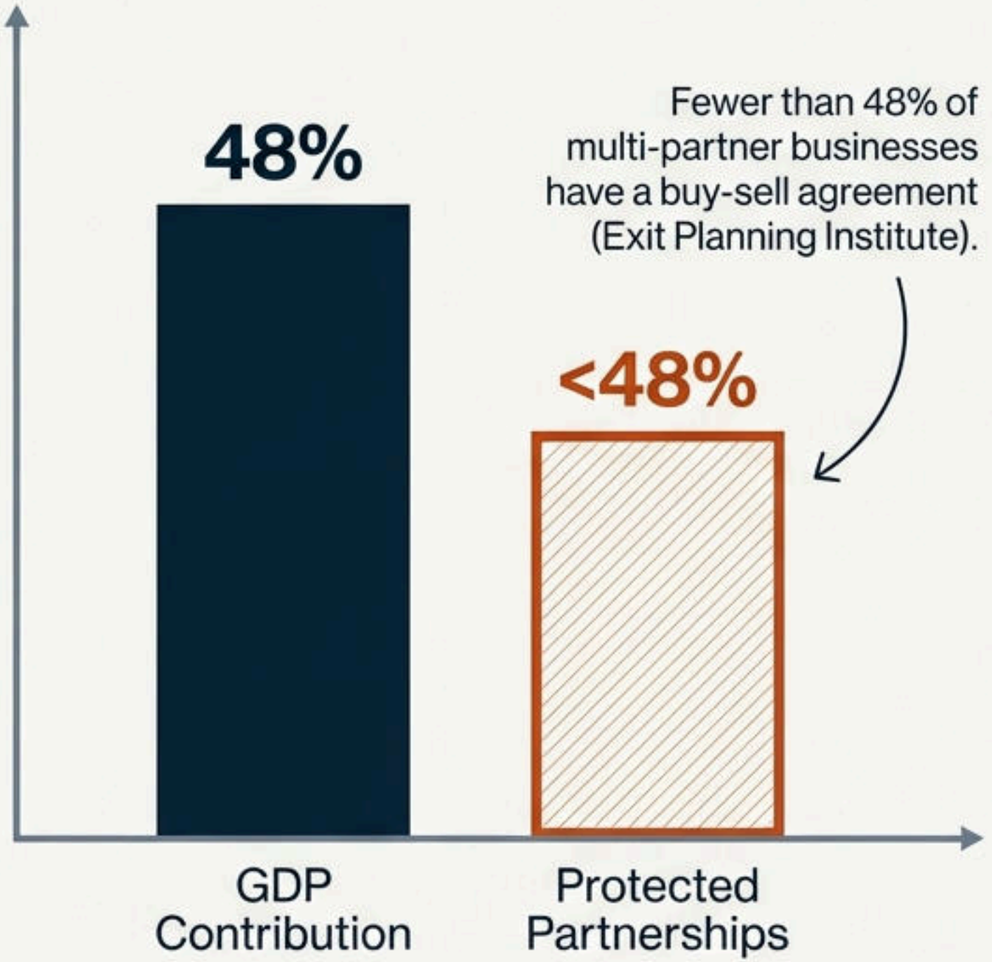
In collaboration with **Alex Lee**
Personal Finance Advisory & Business Protection Specialist

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Premium Financial Editorial

You are the backbone of the economy, but your legacy is fragile.

SMEs contribute 48% of Singapore's GDP and employ 71% of the workforce. You drive the economy, yet a critical vulnerability exists.



Data confirms that 65% to 70% of business partnerships eventually fail—often due to a lack of succession planning.

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This isn't for startups. It is for established wealth builders.

The profile of the 'at-risk' partnership.



Structure:
Private Limited Company (Pte Ltd) or LLP



Valuation:
SGD 5 million to SGD 10 million



Tenure:
10 to 30+ years in operation



Ownership:
2 to 3 shareholder-directors (Late 40s to mid-60s)

For these owners, the business is often their single largest asset—worth more than their homes, savings, and investment portfolios combined. Yet, it is often protected by nothing more than a handshake.

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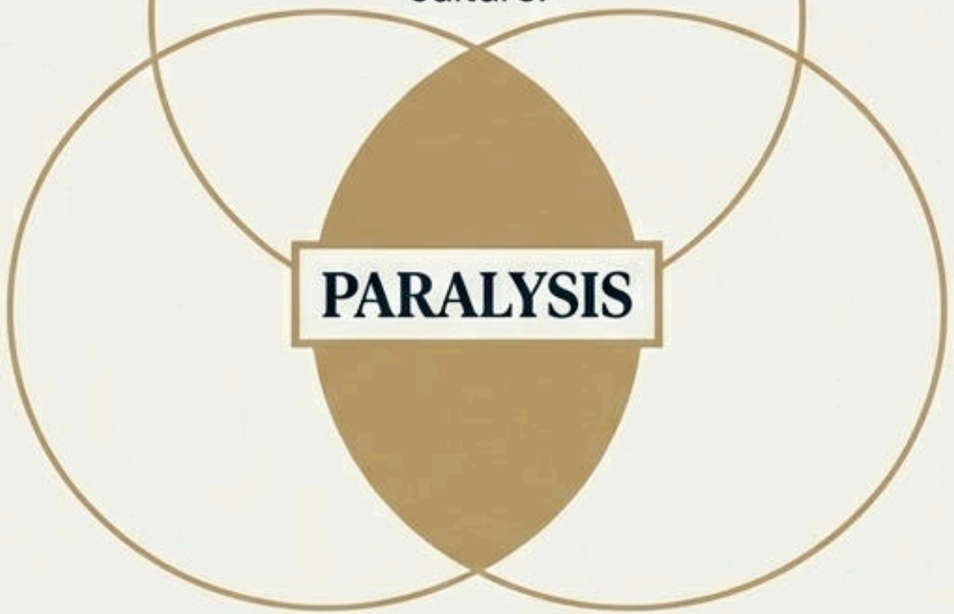
The Psychology of Inaction: Why smart owners ignore major risks.

Cultural Taboo

Viewing death as inauspicious ("Pantang") in Asian business culture.

Optimism Bias

Underestimating high-impact risks ('It won't happen to me').



The "Handshake" Myth

Believing personal trust extends to the next generation.

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The Law: Your partner's shares do not go to you.

The Chain of Custody under the Intestate Succession Act.

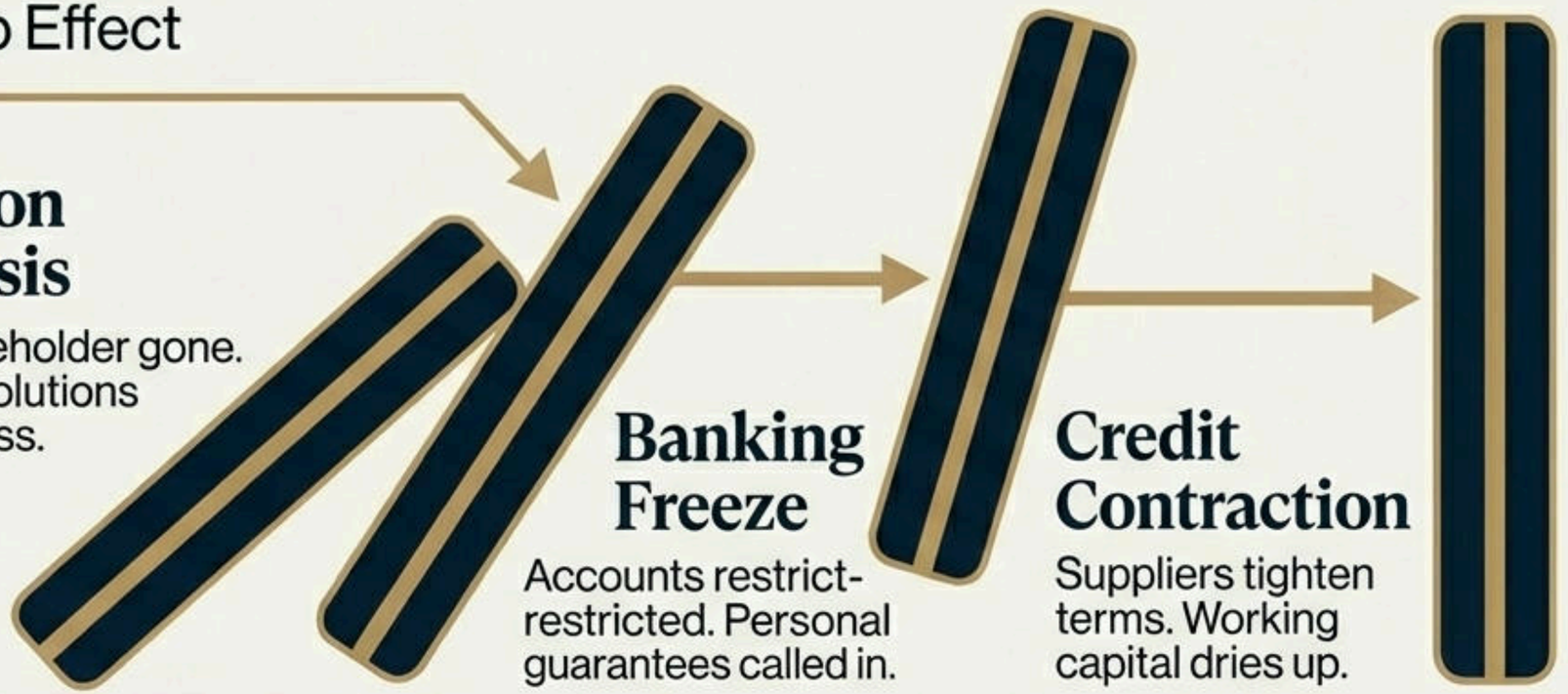


Overnight, you are in business with a grieving spouse who has no industry experience, no client relationships, and conflicting financial needs.

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The Operational Freeze: How uncertainty destroys value.

Domino Effect



Decision Paralysis

50% shareholder gone. Board resolutions cannot pass.

Banking Freeze

Accounts restrict-restricted. Personal guarantees called in.

Credit Contraction

Suppliers tighten terms. Working capital dries up.

Client Exodus

Competitors poach accounts. Confidence erodes.

> "The business creates value; the uncertainty destroys it."

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The Deadlock: Diverging interests lead to litigation.

The Surviving Partner

- **Goal:** Wants to save the business.
- **Constraint:** Needs to minimize cash outflow.
- **Incentive:** BUY LOW (Crisis Valuation)

The Deceased's Family

- **Goal:** Needs immediate cash for living expenses.
- **Constraint:** No emotional tie to operations.
- **Incentive:** SELL HIGH (Emotional Valuation)

The Result: Valuation disputes and legal stalemate while business value plummets.

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The Funding Trap: An agreement without money is just paper.

Scenario: You need SGD 4 million cash in 30 days to buy out the estate.

Personal Savings



Rare to have millions in liquid cash.
Wealth is tied up in the business.

Business Reserves



Cannot drain working capital during a crisis.
Dangerous to operations.

Bank Loans



Banks view the business as ‘high risk’ after a key partner dies.

Installment Payments

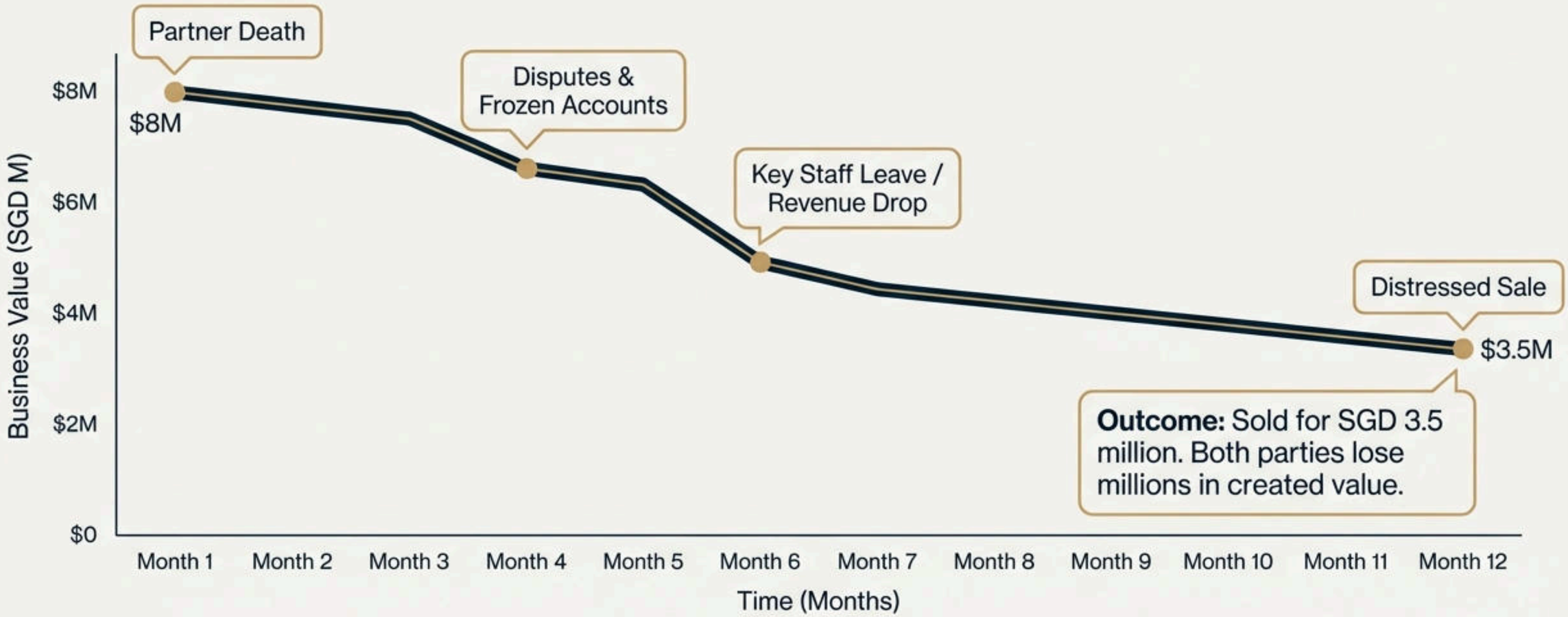


The family refuses to wait years. Future payments are not guaranteed.

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Scenario A: The Collapse (No Agreement)

Case Study: ABC Trading Pte Ltd. Value: SGD 8M. Partners: David & Michael.



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The Solution: The Buy-Sell Agreement.

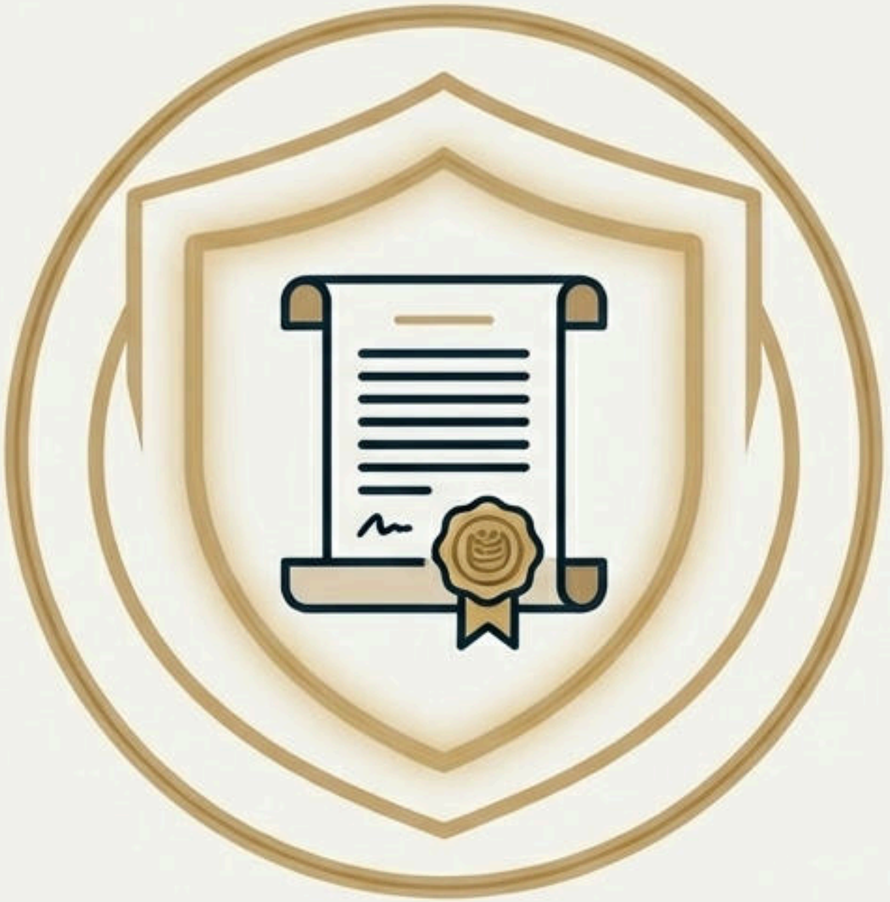
The ‘Pre-Nup’ for business partners.

Protects the Business

Ensures continuity. Immunity from family interference.

Protects the Aumily

Ensures continuity. Immunity from family interference.



Protects the Partner

Guarantees the right to buy and total control.

Protects the Family

Guarantees a fair price and immediate cash.

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The Engine: Insurance-Funded Buy-Sell.

Using Term Life Insurance to create liquidity exactly when needed.

Event



Partner Death

Trigger



Insurance Payout (Tax-exempt)

Action



Survivor buys shares from Estate

Result



Family gets cash. Survivor gets 100% control.

Why Term Life?

High coverage, low premium, pure protection.

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Scenario B: The Continuity (With Agreement)

Same Business. Same Event. Different Outcome.

Scenario A (No Plan)

Time to Resolution: 12 Months
Value Realized: SGD 3.5M

Scenario B (With Plan)

Time to Resolution: 4 Weeks
Value Realized: SGD 8M (Full Value)



Week 1:
Claim Filed.

Week 4:
Insurance pays SGD 4M.

Week 5:
Transfer complete. Business runs without interruption.

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Structuring for Efficiency.

The Structures

- **Cross-Purchase:** Partner buys policy on partner. Best for 2-3 partners.
- **Entity Redemption:** Company buys the shares back.

Regional Context (Singapore/Malaysia)

- **Tax:** Life insurance death payouts generally tax-exempt.
- **Stamp Duty:** Payable on share transfer based on market value.
- **Shariah:** Takaful options available for Malaysia compliance.

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From conversation to protected in 4-8 weeks.

1

Agree

Acknowledge the risk.

2

Value

Agree on valuation formula.

3

Draft

Legal advisor creates Agreement.

4

Fund

Secure Term Life policies.

5

Review

Annual check-up.

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The question is not whether to address it, but when.

If you do not have a buy-sell agreement, you have an open risk.
The cost of the solution is a fraction of the business value.
The cost of doing nothing is the business itself.

Book the complimentary 20-minute
Buy-Sell Readiness Assessment.

Authored by Whee Teck & Alex Lee

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