

THE PARTNERSHIP SHIELD

A 10-POINT RISK DIAGNOSTIC FOR BUSINESS OWNERS

SAPIENCE FINANCIAL

THE HOUSE OF RISK

Building a successful business requires vision and deliberate risk. However, protecting that success requires a completely different strategic mindset. When your company operates with business partners, your family's personal financial security is deeply bound to theirs. This diagnostic framework is designed to expose structural flaws before the music stops.

1. The Invisible Reality of Partnership Liability

Many small-to-medium Australian business owners operate on handshake agreements or legacy legal documents. What they rarely realise is that under common law, standard business partnerships carry Unlimited Personal Liability and Joint & Several Liability. If your business partner signs a commercial lease, secures a business line of credit, or incurs massive debt on behalf of the company and suddenly encounters an unexpected crisis — such as a permanent disability or death — you remain 100% legally liable for 100% of that debt. Commercial lenders do not look at your internal percentage splits; they actively target whoever holds the most accessible personal assets, instantly putting your family home on the line.

2. How to Conduct this Partnership Health Check

This tool is built to check the level of agreed understanding between the business partners' expectations. To implement it correctly, use this strict two-level verification process:

Level 1 (The Partner Isolation Check): You and your business co-owners must complete this assessment separately from your business partner. Do not compare answers until both parties have finished. Discrepancies indicate hidden vulnerabilities.

Level 2 (The Kitchen-Table Audit): Once filled out, bring this document home and hand it directly to your spouse or domestic partner. Because they inherit the real-world downside of your unlimited personal liability, they deserve absolute transparency regarding your company's official Ultimate Plan B.

Part 1: Operational & Legal Alignment Check

Complete this section separately from your business partner to establish baseline operational compliance and verify if your legal safety nets match current reality.

1. Executed and Current Partnership Agreement

Do you have an active, legally binding Partnership or Shareholders Agreement that has been systematically updated or reviewed in the last 24 months to match current business asset valuations?

2. Mandated Buy-Sell Provisions

Does your agreement explicitly detail exactly what happens if a partner suffers a permanent disability, critical illness, or passes away? Is there a legally mandated buyout clause?

3. Eradication of the "Accidental Partner" Risk

If your partner passes away tomorrow, do you have concrete legal mechanisms to prevent their inexperienced spouse, executor, or children from inheriting voting rights and stepping in to run operations with you?

4. Formalised Valuation Formula

Is there a pre-agreed mathematical model or independent appraisal process locked into your contract to value the company objectively during an emergency, entirely preventing litigation with an estate?

5. Key Person Revenue & Continuity Runway

If your co-owner is incapacitated for over 90 days, does the business have immediate access to designated cash reserves to secure a qualified executive replacement without draining ongoing profits?

Part 2: Debt Protection & Asset Security Check

Review the financial liabilities supporting your daily operations. A legal agreement without a clear funding plan creates immediate exposure during a sudden medical exit.

6. Fully Funded Business Buy-Sell Structure

Are your business Buy-Sell obligations fully funded by specific, dedicated life and TPD insurance policies? (An unfunded agreement is simply an empty promise that causes legal chaos in a crisis).

7. Director Guarantee & Loan Extinguishment

In the event of a partner's sudden exit, is there a structured debt protection mechanism to instantly clear 100% of outstanding director guarantees, commercial bank loans, and lines of credit?

8. Business Overhead & Fixed Expense Protection

If revenue collapses because an essential revenue-generating partner is hospitalised, does the company possess explicit monthly overhead insurance to cover ongoing rent, commercial leases, and staff payroll?

9. Personal Asset Isolation

Have you legally insulated your primary family home and personal savings from business liabilities signed by your business partner using optimised business structuring and defensive asset protection?

10. Estate Plan & Business Alignment

Do you and your business partner both maintain active personal Wills, Enduring Powers of Attorney, and Estate provisions that seamlessly mirror the buyout provisions in your business agreements?

Part 3: Family Protection & Protective Planning

The Kitchen-Table Conversation: For Your Spouse

Your spouse is the silent investor underwriting your business partner's decisions. If your business fails to clear its business guarantees or handle its equity distribution cleanly during an illness or death, your family's private wealth absorbs the entire blow. Sit down together tonight and walk through these three questions:

- "If my business partner passes away unexpectedly, do you know who legally inherits their half of our company, and how our family income is insulated?"
- "Are we currently acting as personal guarantors for any commercial debts or equipment leases that could threaten our family home?"
- "Do we have a confirmed, documented 'Ultimate Plan B' with a trusted advisor, or are we hoping things just work out?"

This checklist serves as your baseline protective diagnostic. A single unchecked box exposes your family's personal assets to downstream commercial risk. True financial security requires deliberate structural insulation.

ELIMINATE YOUR PARTNERSHIP GAPS

If you checked fewer than 10 boxes today, your current business configuration is exposed to severe personal liability. Let's correct it. Scan the code or navigate to the Sapience thestayrichclub.com.au to schedule a highly confidential 1-to-1 Partnership Risk Audit. Protect what you are building, secure your family, and stay rich.

- Specialist Tax Accountant** | *Prior to Year-End: To formalise outstanding drawings into rigid Division 7A loan deeds or franked extractions.*
- Wealth Financial Adviser** | *Proactively: To align family wealth accumulation targets cleanly outside of your high-risk active trading accounts.*
- Risk Financial Adviser** | *Immediately: To separate lifestyle passion budgets from your primary business operational funding lines.*



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