FOUNDATION

Writing a Partnership Agreement (Even If You're Married)

It feels awkward. Do it anyway. A simple guide to the document that protects both your business and your relationship.

9-MINUTE READ	DISCUSSION GUIDE + LAWYER-READY WORKSHEET

LOVE IS NOT A GOVERNANCE SYSTEM

Marriage Does Not Answer the Business Questions

Married owners often avoid a partnership agreement because it feels distrustful. You already share a life, perhaps a home, children, bank accounts, and a future. Why introduce a legal document into a relationship built on commitment?

Because marriage vows and business governance solve different problems. Marriage does not automatically define who may sign a contract, how profits are distributed, what happens when one spouse stops working in the company, or how the business is valued if one owner wants out. State law, your entity documents, and tax rules may supply default answers - but those answers may not match your intentions.

A written agreement is not a prediction of failure. It is a record of your promises while goodwill is high. It turns assumptions into choices and gives future-you a process when illness, opportunity, conflict, or transition makes clear thinking harder.

> **"The agreement is not written because you expect the relationship to fail. It is written because the business deserves clarity in every season."**

Start With the Correct Document

"Partnership agreement" is often used informally, but the formal document depends on the entity. A general or limited partnership may use a partnership agreement; an LLC typically uses an operating agreement; a corporation may rely on bylaws, shareholder agreements, and buy-sell provisions. The agreement should coordinate with formation filings, tax elections, employment arrangements, estate plans, insurance, and any marital agreement.

This guide is educational, not legal or tax advice. Use it to prepare an aligned owner brief, then work with qualified legal and tax professionals in your jurisdiction.

SECTION 1: OWNERSHIP AND CONTRIBUTIONS

Define What Each Person Owns - and Why

Ownership is not the same as workload, salary, authority, or marital status. Your document should state who owns what percentage or number of units or shares, what each person contributed, and what happens if additional capital is needed.

Questions to settle

- **Initial ownership:** Is it 50/50, another percentage, or a class-based structure?
- **Contributions:** Who contributed cash, property, intellectual property, guarantees, relationships, or unpaid labor? How are those contributions documented?
- **Future capital:** Must both owners contribute proportionally? Can one owner lend money instead? What happens if one cannot or will not contribute?
- **Dilution:** Can new ownership be issued? Who approves it, and do existing owners have participation rights?
- **Business property:** Who owns the brand, website, customer information, content, inventions, and other intellectual property?

Do not use 50/50 as shorthand for fairness

Equal ownership can be perfectly appropriate, but it creates a special governance question: what happens when equal owners disagree? The solution is not necessarily unequal ownership. It is a decision system with defined authority, escalation, and deadlock procedures.

Clarify tax and economic rights

Profit allocation, cash distributions, and taxable income are not always the same thing. For entities taxed as partnerships, income and loss generally pass through to owners, and the agreement's allocation provisions must fit tax rules. Build in a tax-distribution policy and have a tax adviser review allocations, compensation, and owner payments.

SECTION 2: ROLES, AUTHORITY, AND DECISIONS

Make Power Visible Before It Is Tested

Employees, lenders, vendors, and customers need to know who can bind the company and who owns each area. The agreement should distinguish operational authority from decisions reserved for both owners.

Decision level	Examples	Approval rule
Role-owner authority	Routine hiring within budget, ordinary vendors, pricing within policy, normal customer recovery.	Named owner decides and reports through agreed measures.
Consult first	Material policy changes, senior hiring finalists, unusual discounts, commitments affecting both roles.	Owner seeks input, then decides unless a threshold is crossed.
Reserved decisions	Debt, guarantees, owner pay, distributions, major capital spending, new owners, sale, merger, or closure.	Unanimous or stated supermajority approval.

Define the deadlock path

A practical deadlock process moves in stages: scheduled owner meeting; written statement of the issue and options; advice from a mutually trusted expert; mediation; and, only if necessary, a pre-agreed buyout, sale, or other legal remedy. Deadlock provisions should discourage impulsive exits without trapping owners indefinitely.

State the duties clearly

- Expected time commitment, role outcomes, and reporting responsibilities.
- Confidentiality, conflicts of interest, outside work, and use of company opportunities.
- Standards for expenses, contracting, borrowing, and access to records.
- How roles may change without automatically changing ownership.

SECTION 3: MONEY, WORK, AND REWARD

Separate the Four Ways Owners Receive Value

Couples create conflict when every dollar is called “profit” or when one payment method is expected to solve every fairness concern. Your agreement and financial policies should distinguish these categories:

- **Compensation for work:** salary, guaranteed payment, bonus, or other pay for active services, structured consistently with entity and tax rules.
- **Expense reimbursement:** repayment of legitimate business costs under a clear policy.
- **Return of or on capital:** repayment of loans or treatment of invested money.
- **Owner distributions:** cash paid because of ownership, subject to law, cash needs, and the agreement.

Answer the uncomfortable questions

- If one spouse works 50 hours and the other works 10, how is compensation determined?
- If one spouse temporarily leaves for caregiving, health, or another career, what changes - pay, authority, ownership, or none of these?
- Who sets compensation, bonuses, and distributions when both owners benefit?
- What cash reserve, debt limit, and tax set-aside must be maintained before distributions?
- What financial reports must both owners receive, and how often?

Avoid retroactive fairness

Do not wait until resentment appears to reconstruct years of unpaid labor, personal guarantees, or missed compensation. Record contributions and loans when they occur. Review compensation and workload at least annually, and whenever roles materially change.

> **Useful principle:** Ownership rewards risk and long-term value. Compensation rewards current work. A fair system can recognize both without confusing them.

SECTION 4: CHANGE, EXIT, AND THE UNEXPECTED

Write the Plan Before You Need the Plan

The most valuable provisions often address events no couple wants to imagine. A strong agreement defines what happens if an owner dies, becomes disabled, divorces, wants to leave, stops performing, files bankruptcy, loses a required license, or receives an outside offer.

Build the transfer rules

- **Permitted transfers:** May an interest move to a trust, family member, or estate?
- **Restrictions:** Can an owner sell or pledge an interest without consent?
- **Right of first refusal:** Does the company or other owner get the first opportunity to buy?
- **Trigger events:** Which events create an option or obligation to purchase an interest?
- **Valuation:** Is value determined by formula, appraisal, agreed annual value, or another method?
- **Payment terms:** Is the buyout paid at closing, over time, or with insurance proceeds?

Coordinate with marriage and estate planning

A business agreement cannot be drafted in isolation from marital-property rules, divorce law, wills, trusts, beneficiary designations, powers of attorney, and life or disability insurance. A transfer allowed by an estate plan may be restricted by the business agreement. A spouse may inherit economic rights without being intended to receive management authority.

Plan for incapacity, not only death

Define how incapacity is determined, who may act temporarily, how compensation continues, and when a buyout may be triggered. Also maintain practical continuity records: banking authority, critical contracts, insurance, payroll access, passwords, professional contacts, and emergency decision rights.

Review the valuation mechanism annually. A formula that sounded fair when the company was small can become unreasonable after growth, debt, or a shift in owner dependence.

SECTION 5: DISPUTES, AMENDMENTS, AND MAINTENANCE

An Agreement Must Be Usable Under Stress

A document that lives unread in a folder is less useful than a shared operating system. The agreement should explain how notices are delivered, records are accessed, meetings are called, decisions are documented, and amendments are approved.

Design the dispute ladder

Stage	Purpose	Output
1. Direct meeting	Clarify facts, interests, and the exact decision in dispute.	Written decision or defined unresolved question.
2. Expert input	Use a CPA, attorney, valuation expert, or adviser for technical questions.	Neutral analysis or recommendation.
3. Mediation	Use a neutral facilitator to pursue voluntary resolution.	Signed settlement or narrowed issues.
4. Binding process	Apply the agreed arbitration, court, buyout, or sale mechanism.	Final resolution under the governing documents.

Create an annual agreement review

- Confirm ownership records, contributions, loans, and current valuation.
- Review roles, compensation, decision thresholds, and signing authority.
- Update addresses, advisers, insurance, estate-plan coordination, and continuity access.
- Ask whether the agreement still reflects the company you have become.

Amendments should follow the formal approval and signing process in the agreement. Do not rely on an informal conversation to rewrite a legal document.

PUT IT INTO PRACTICE

Your Lawyer-Ready Partnership Brief

Complete this together before meeting counsel. It is a discussion guide, not a substitute for a professionally drafted agreement.

Topic	Our preliminary agreement	Questions for counsel / tax adviser
Entity and governing documents		
Ownership and contributions		
Roles and decision authority		
Compensation and distributions		
Additional capital and owner loans		
Deadlock and disputes		
Exit, transfer, and valuation		
Death, disability, and continuity		

Three final questions

- What assumption between us would create the greatest harm if it proved false?
- What would fair treatment look like if one of us could no longer work in the business?
- How would an exit be valued and funded without destroying the company?

THE BOTTOM LINE

A partnership agreement cannot guarantee harmony. It can remove preventable ambiguity, protect informed consent, and give conflict a process. The most loving time to write it is while you still trust each other enough to discuss the hard possibilities with generosity and clear eyes.

Educational resource only. Laws, tax treatment, and enforceability vary by entity and jurisdiction. Engage qualified legal and tax professionals before signing or relying on an agreement.