

**BUSINESS PROFILE**

# Prepare business owners for the loss of a partner

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## Cross purchase buy-sell arrangement

**Your sales opportunity**

Business owner(s) wishing to:

- Ensure business continuity and maintain marketability in the event of a death of an owner
- Guarantee a buyer for his or her share of a business
- Create liquidity for a deceased owner's family
- Avoid conflict of interest between surviving owners and the family of a deceased owner

**Solution: cross purchase buy-sell arrangement**

A **cross purchase buy-sell arrangement** is a business succession strategy in which the owners enter into an agreement to cross-own life insurance on one another. Upon death, the remaining owner(s) uses the death benefit proceeds to purchase the deceased owner's share.

**Three valuable features**

1. A simple business succession strategy
2. Provides a source of funds for the purchase of partner's share of the business
3. Step-up in basis for shareholders

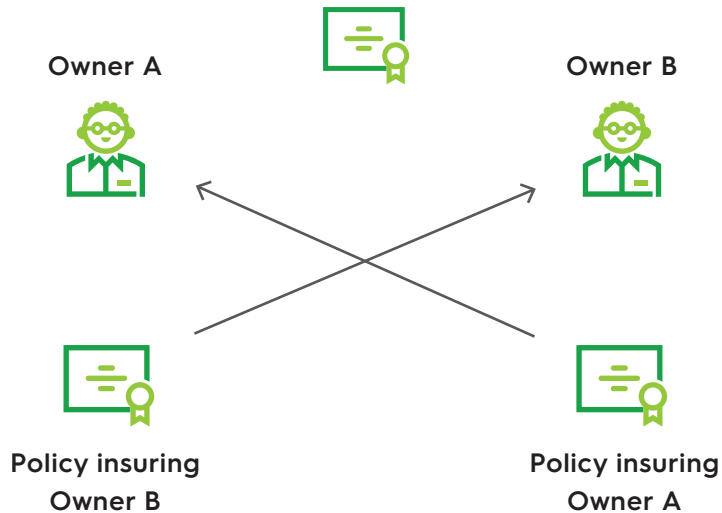
**Target client**

Businesses with the following characteristics:

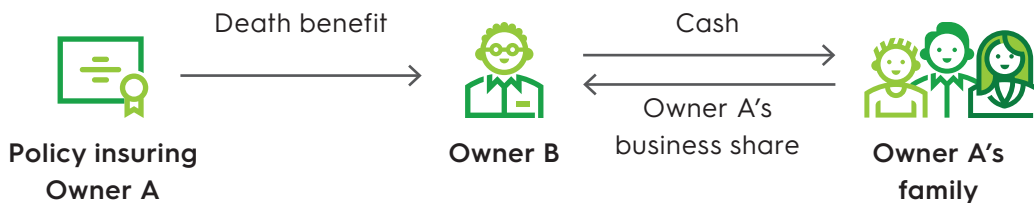
- No more than two or three owners
- May be organized as an S corporation, C corporation, LLC or partnership

## How it works

- The business owners enter into an agreement prepared by an attorney. The agreement provides that on the death of one owner, the surviving owner(s) will buy the deceased owner's share of the business with cash.
- Each business owner applies for and owns a life insurance policy on the other owner(s).



- If Owner A dies first, Owner B receives the policy's income tax-free death benefit on Owner A.
- Owner B uses the death benefit to buy Owner A's share of the business from the surviving family.
- Owner A's family receives cash, and Owner B retains the business and becomes the sole owner.





## Learn more

Do you have business owner clients who could benefit from a cross purchase buy-sell arrangement that helps them prepare for the untimely death of an owner? We can help - call our Advanced Sales Team today: **1-888-413-7860**, option 3.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods.

The policy design chosen may impact the tax status of the policy. If too much premium is paid, the policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable and if the taxpayer is under the age of 59½ may also be subject to an additional 10% penalty tax.

Written Notice and Consent rules may apply

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