

BUSINESS PROFILE

Prepare business owners for the loss of a partner

Entity redemption buy-sell arrangement

Your sales opportunity

Business owner(s) wishing to:

- Ensure business continuity and maintain marketability in the event of an owner's death
- Guarantee a buyer for their 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: entity redemption buy-sell arrangement

An **entity redemption buy-sell arrangement** is a business succession strategy in which the business is the owner and beneficiary of a life insurance policy on each business owner's life. Upon death, the business uses the death benefit proceeds to purchase the deceased owner's share.

Two valuable features

1. Simplifies a buy-sell arrangement for multiple business owners
2. Provides a source of funds for the purchase of a partner's share of the business upon certain life events

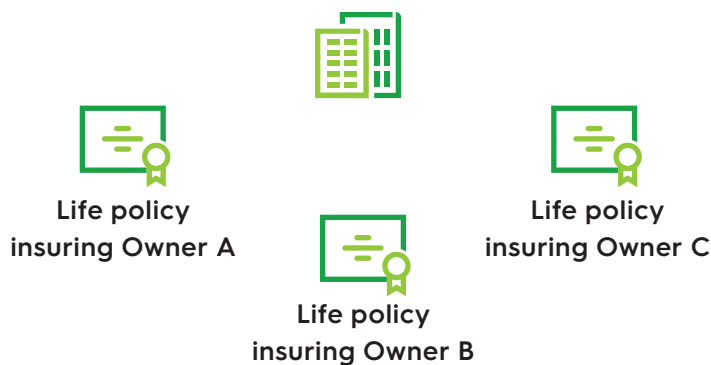
Target client

Businesses with the following characteristics:

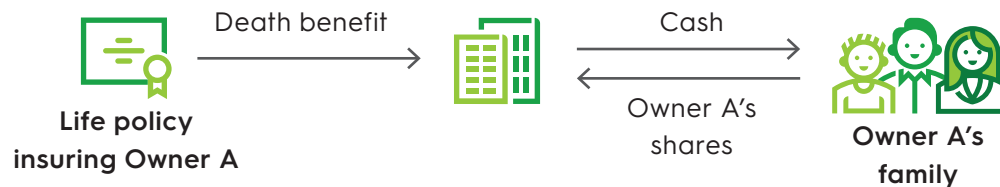
- More than two or three owners
- May be organized as an S corporation, C corporation, LLC or partnership

How it works

1. Multiple owners of a business enter into an agreement (prepared by an attorney) that should any owner die, the business will purchase the shares from that owner's heirs.
2. The business purchases a life insurance policy on each owner, which will serve as the source of funds the business will use to redeem the deceased owner's shares. The business is the owner and beneficiary of all the policies.



3. When Owner A dies, the business receives the death benefit from A's policy income tax-free.¹
4. The business purchases the shares from Owner A's heirs with the policy's death benefit, and retires them.



The subsequent decrease in the number of outstanding shares increases the value of the shares for the surviving owners. **Owners B and C now each own 50 percent of the business, and Owner A's estate has cash from the sale of the business interest.**



Learn more

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

1. The life insurance death benefit is income tax-free to the business if the business, at the time of purchase, had met the requirements of Internal Revenue Code Section 101(j). This includes providing the insured with advance notice, obtaining the insured's prior consent to be insured and meeting the insured's executive income requirements.

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 percent penalty tax.

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