Individual Life Insurance
Cross endorsed buy-sell arrangement

Insurance products issued by:
Minnesota Life Insurance Company
Securian Life Insurance Company

BUSINESS PROFILE

Prepare business owners for the loss of a partner

Cross endorsed buy-sell

Your sales opportunity

Business owner(s) wishing to:

- Ensure business continuity and maintain marketability in the event of death of an owner
- 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: cross endorsed buy-sell arrangement

A cross endorsed buy-sell arrangement is a business succession strategy in which the business owners purchase life insurance policies on their own lives, and "rent"[1] a portion of the death benefit to the other owners. The rented portion of the death benefit serves as a source of funds with which to purchase the shares of a deceased owner.

Three valuable features

1. Each owner owns his or her own policy
2. Provides a source of funds for the purchase of a partner's share of the business
3. Strategy is estate-tax neutral if executed properly

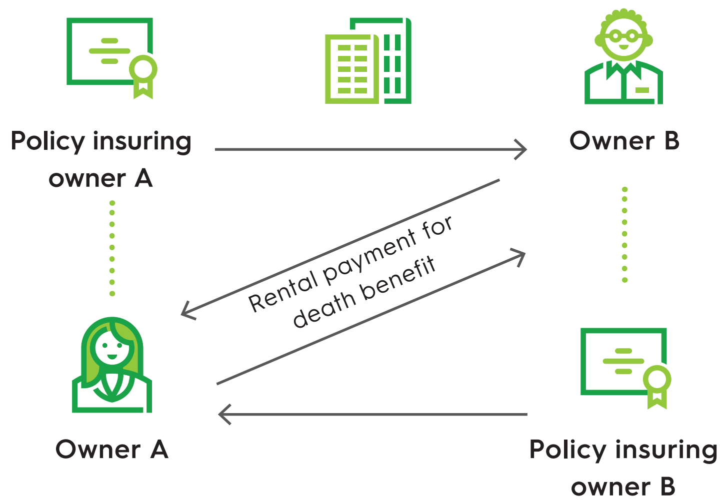
Target client

Businesses with the following characteristics:

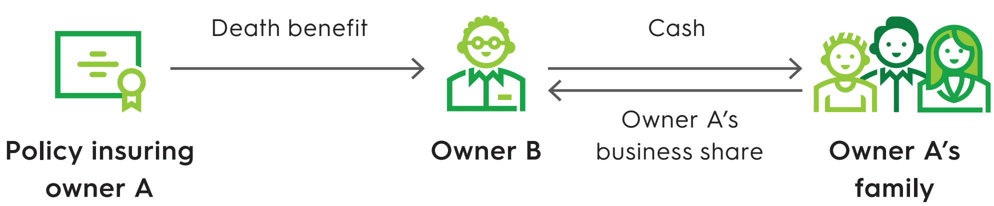
- Partnerships and LLCs taxed as partnerships
- C or S corporations where there is more than one owner, and the business owners are also partners in another business with common ownership that is taxed as a partnership
- Need to create a funding mechanism to fund a buy-sell agreement

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 insuring him/herself.
- A portion of the death benefit is endorsed to the other owner(s).[1]



- If Owner A dies first, Owner B receives the endorsed death benefit from Owner A's policy.
- 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 endorsed buy-sell strategy to prepare for the unexpected death of an owner? We can help — call our Advanced Sales Team today:
1-888-413-7860, option 3

1. With the endorsed death benefits, each owner charges the other owners a fee for "rental" of the death benefit. This fee is based on the reportable economic benefit of the death benefit's cost, and must be reported as taxable income.

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.

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