

BUSINESS PLANNING USING LIFE INSURANCE

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Retain, Recruit and Reward

BUY-SELL ARRANGEMENTS



BUY-SELL ARRANGEMENTS

3

- A buy-sell arrangement is a binding agreement in which one party agrees to sell the interest and the other party will buy the interest.
- Transactions occur
 - At death
 - At retirement
 - At disability

TYPES OF BUY-SELL ARRANGEMENTS

4

- Stock Redemption or Entity Purchase
- Cross Purchase
- Wait and See

STOCK REDEMPTION OR ENTITY PLAN

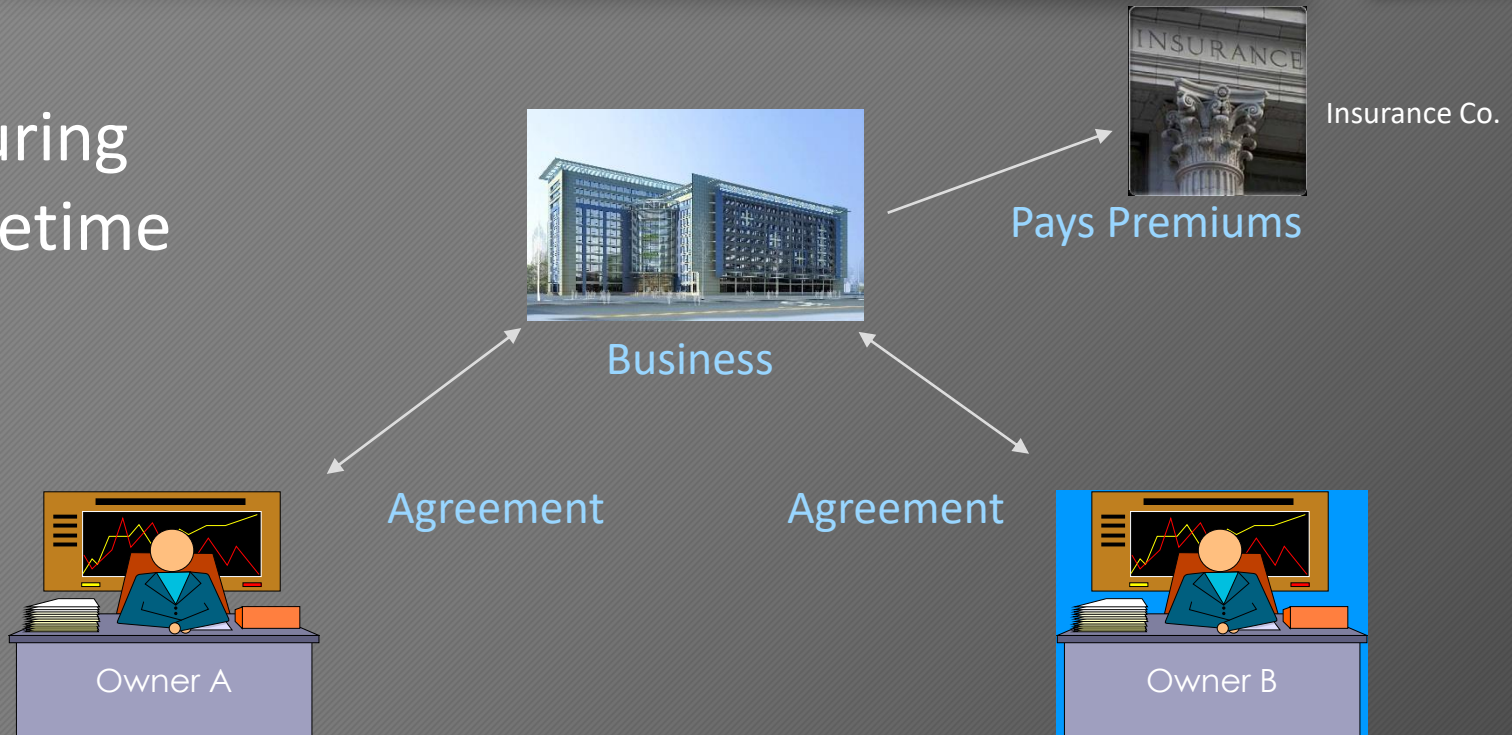
5

- The business agrees to buy life insurance on the lives of the owners
- Agreement states that the owners or their estates agree to sell interest in the business and the business agrees to buy it.
- Business is the owner and beneficiary of the life insurance policy.

STOCK REDEMPTION OR ENTITY PLAN

6

During
Lifetime

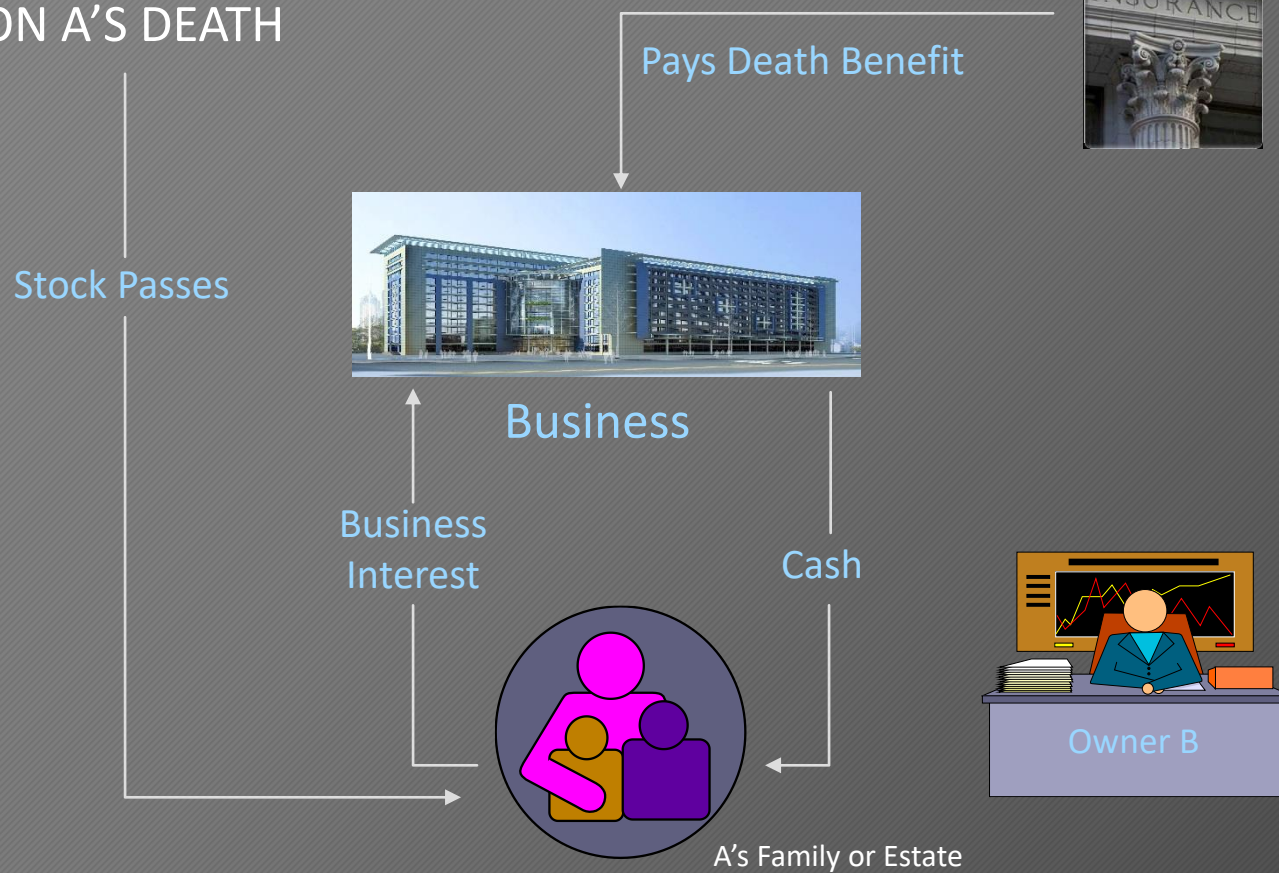


THE BUSINESS OWNS INSURANCE POLICIES ON EACH OWNER

STOCK REDEMPTION OR ENTITY PLAN

7

UPON A'S DEATH



Insurance Co.

Business

Business Interest

Cash

Owner B

A's Family or Estate

CROSS-PURCHASE PLAN

8

- Owners take life insurance policies out on each other
- Survivor purchases deceased owner's shares in company
- Life insurance proceeds help to provide the funds

CROSS PURCHASE PLAN

9

During Lifetime



Insurance Co.



Business

Pays Premiums



Owner A



EACH OWNER OBTAINS INSURANCE ON THE OTHER

Pays Premiums



Owner B

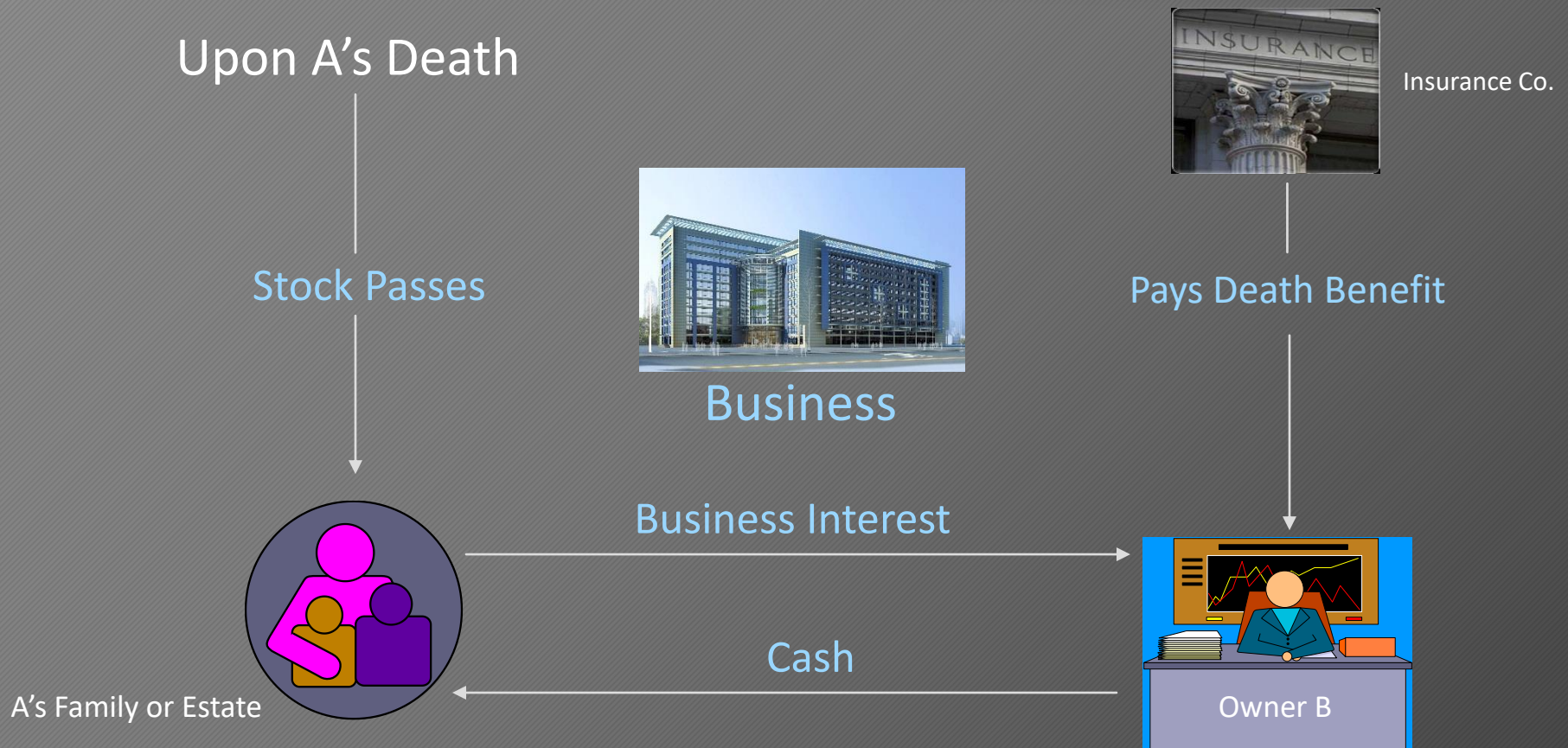
ADVANTAGES OF CROSS PURCHASE

10

- Purchasing shareholder will get step-up in cost basis
- Life insurance proceeds are income tax free
- Avoids possible treatment of redemption as a dividend.
- No AMT or accumulated earnings tax problems
- Can reallocate ownership of the surviving owners by purchasing varying amounts of the deceased owner's shares.

CROSS PURCHASE PLAN

11



WAIT AND SEE AGREEMENT

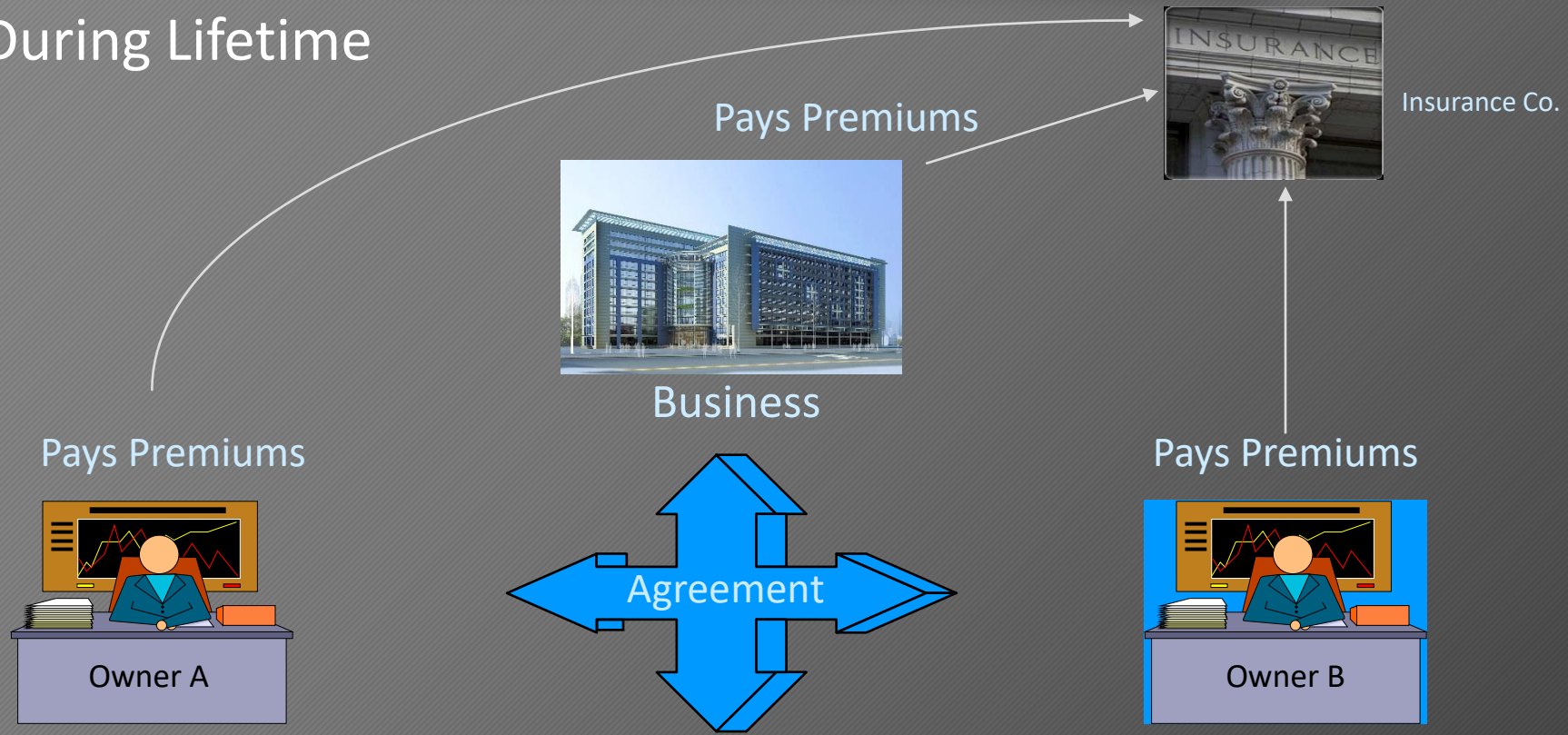
12

- Owners agree to buy and sell their shares but the price is not determined until death, retirement or disability
- Owners purchase life insurance on each other
- Business has right of first refusal, owner second right, and the business must purchase remaining shares

“WAIT AND SEE” FUNDED BY OWNERS

13

During Lifetime

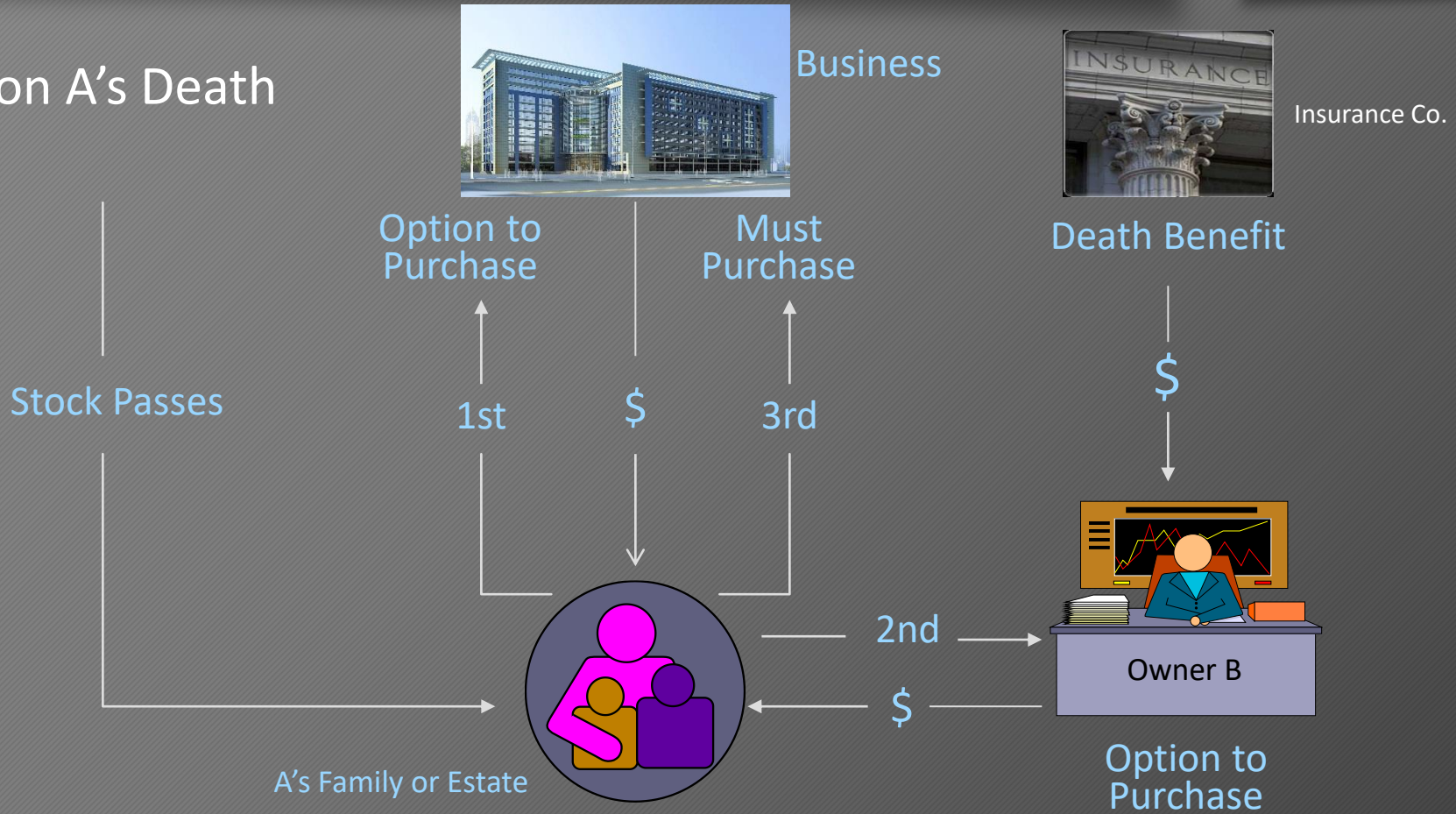


EACH OWNER OBTAINS INSURANCE ON THE OTHER

“WAIT AND SEE” FUNDED BY OWNERS

14

Upon A's Death



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For More Information

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(CONTACT INFORMATION)