

THE ORDERLY TRANSFER OF THE BUSINESS

One of the most important decisions your client will have to make, as a business owner, is who will take the reins of their business in the event of death, disability or retirement? See how life insurance can be a cost-efficient way to fund a buy-sell agreement.



CASE STUDY

- Al, Bob and Charlie are all 45 years old.
- They're equal owners of a profitable, physical therapy practice.
- Business value: \$3 million and S-corporation
- Recently they were asked by their financial professional what would happen to the business if one of them suddenly passed away or decided to leave the company.

THE COMPANY'S CHALLENGE

A plan to help ensure that the business will:

- Continue if one of the owners was not there
- Have enough funds to pay employees and creditors
- Transfer to suitable owners as intended by partners

And ensure that each owner:

- Receives a fair price for their ownership share upon death, disability, or an exit from the business.
- Can afford to retire
- Can protect the value of their business investment

THE SOLUTION

To protect Al, Bob, Charlie, and the business. Their financial professional recommends:

- The S-corporation establish a buy-sell agreement, which will be structured as a stock redemption plan.
- Each owner will sign an agreement for the sale of their ownership interest in the business.

Because cost is a factor;

- A 20-year level-term policy is used to fund the buy-sell agreement. *(If owners' needs change, they can convert from a term to a permanent life insurance solution.)*
- Since the value of the business is \$3 million and the owners are equal partners, the business purchase a \$1 million policy on each partner, listing the business as both, the own and beneficiary.

THE OUTCOME (PER POLICY)

The business will pay \$1,241 annual premium for 20 years. **Total premium is \$24,820**

Death Benefit in year 1 will be \$1 million

Death Benefit when the owners are age 65 is \$1 million

If any of the owners would die or leave, the S-corporation will purchase that owner's stock. This ensures that the owner of their loved ones will be compensated with the fair market value.

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