



## Cross purchase buy-sell

### Preparing for the untimely loss of a business partner

#### **Your challenge**

If your business partner died tomorrow, you could be faced with a downturn of revenue, diminished marketability and a new business relationship with your partner's family.

#### **A potential solution**

You may need a large amount of money in a short timeframe if your partner passes away. By funding a cross purchase buy-sell arrangement with a life insurance policy, you could have an instant asset at your disposal to help you buy out your partner's family.

---

**Because your  
business is  
your life**

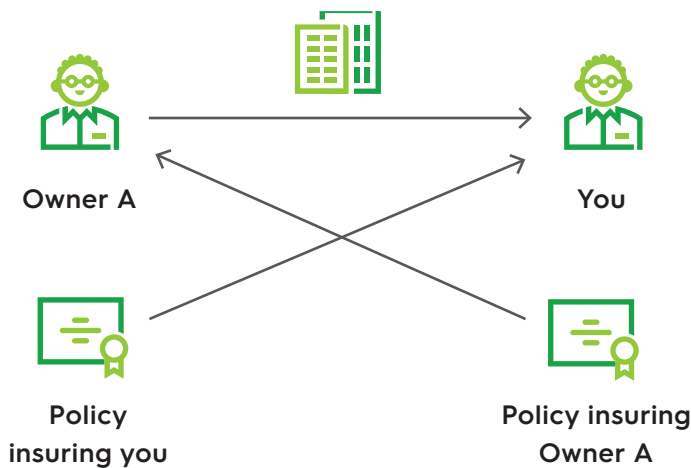
---

## Why life insurance?

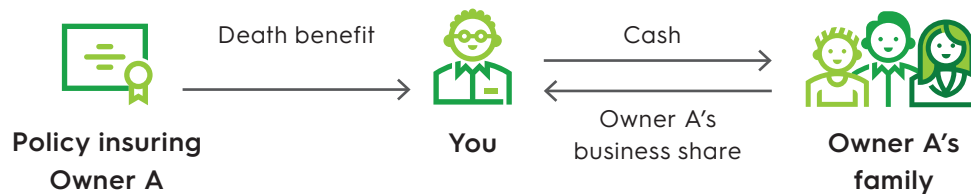
Permanent, cash value life insurance is a long-term financial tool that can provide an immediate source of funds with which to buy out your partner's survivors.

### How does a cross purchase buy-sell arrangement work?

- You and your business partner(s) enter into a buy-sell 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 for cash
- Each business owner applies for and owns a life insurance policy on the other owner(s)



- If Owner A dies first, you receive the policy's income tax-free death benefit on Owner A
- You use the death benefit to buy Owner A's share of the business from the surviving family
- Owner A's family receives cash, and you retain the business and become the sole owner



## Why use a cross purchase buy-sell?

### Benefits

---

- Gives a basis increase for surviving owners
- Can reallocate the owners' interests at buyout
- Cash value and death benefit are safe from business creditors
- Works well for two or three business owners
- Allows business owners to own and control the life insurance policies funding the agreement
- Ensures the business is transferred according to the owners' wishes

## Why not use a cross purchase buy-sell?

### Considerations

---

- Difficult to use insurance proceeds for personal retirement
- Not safe from personal creditors
- Administration can be complex with more than two or three business owners
- Can be difficult to unwind at retirement
- Premium payments may not be equal among owners
- Health of owner could affect insurability
- Premiums are not deductible

# At Securian Financial, we're here for family. And we're here because of it.

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Those who believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.



## Learn more

To learn how you can implement a cross purchase buy-sell arrangement to ensure business continuity, contact your financial professional today.

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 you choose may impact the tax status of your policy. If you pay too much premium, your 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.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by, any taxpayer for the purpose of voiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

This is a general communication for informational and educational purposes. The information is not designed, or intended, to be

applicable to any person's individual circumstances. It should not be considered investment advice, nor does it constitute a recommendation that anyone engage in (or refrain from) a particular course of action. If you are seeking investment advice or recommendations, please contact your financial professional.

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Minnesota Life is not an authorized New York insurer and does not do insurance business in New York. Both companies are headquartered in St. Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

Securian Financial is the marketing name for Securian Financial Group, Inc., and its subsidiaries. Minnesota Life Insurance Company and Securian Life Insurance Company are subsidiaries of Securian Financial Group, Inc.



INSURANCE  
INVESTMENTS  
RETIREMENT

[securian.com](https://www.securian.com)

400 Robert Street North, St. Paul, MN 55101-2098  
©2022 Securian Financial Group, Inc. All rights reserved.

F71834-39 Rev 4-2022 DOFU 4-2022  
2112126