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# Lifecycle buy-sell arrangement

## A succession strategy for every stage of your business

Buy-sell strategies can help protect the value of your business in the face of unforeseen events.

Traditional buy-sell strategies focus on one event — the death of a business owner. Such strategies typically employ term life insurance owned by the business or the other owners, which helps ensure funds are available to buy out the business interest of a deceased owner.

A lifecycle buy-sell arrangement, however, can provide a source of funds when your business is experiencing a downturn or for transferring business ownership interest if you are disabled or leave the business. By using cash value life insurance owned by a separate partnership entity, a lifecycle buy-sell arrangement offers distinct advantages over traditional buy-sell strategies.

**Because your business is your life**

### Four ways a lifecycle buy-sell strategy helps protect your business

**1. If your business experiences a downturn**

- You can access cash value in the partnership's life insurance policies for business needs.

**2. If you (or another business owner) become disabled**

- The cash value inside the policies can help cover the buyout cost triggered by a disability.

**3. If you (or another business owner) depart the business**

- The cash value inside the policies can help cover the buyout cost or help fund an installment buyout.
- In return for the departing business interests in the partnership, the departing partner can take his or her policy out of the partnership.

**4. If you (or another business owner) die**

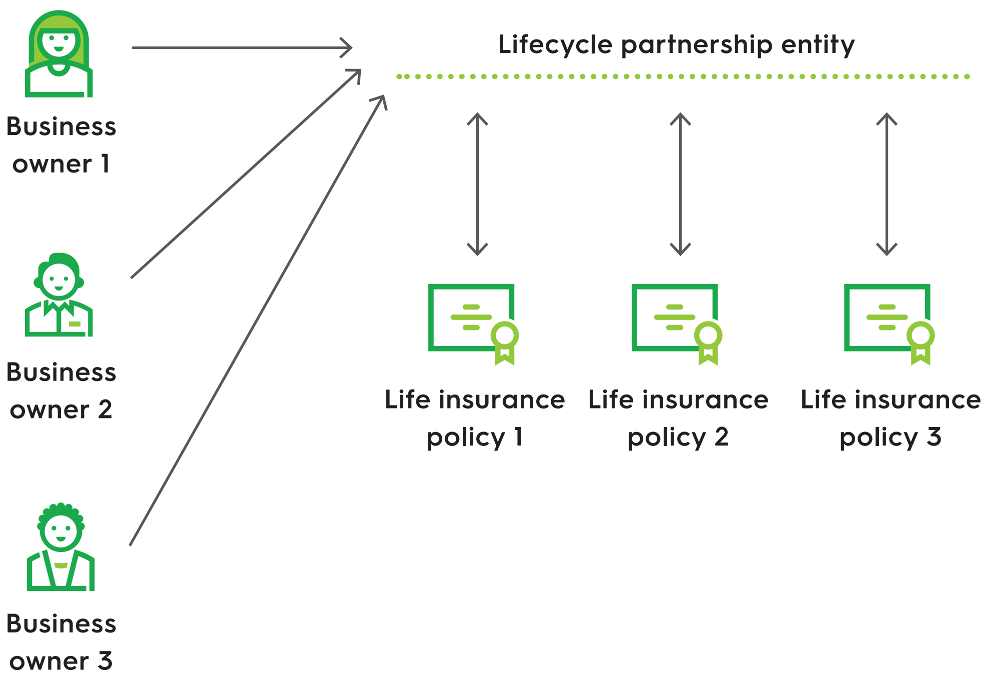
- At death, the death benefit on the policy of the deceased owner is paid to the partnership entity and used to buy out the deceased owner's business interest in both the business and the partnership.

## How does a lifecycle buy-sell strategy work?

- Business owners create a new business entity to own life insurance policies on each of their lives.
- Owners contribute money each year to the new entity to pay the life insurance premiums.
- In the event of a buyout trigger, policy values or death benefits can be used to fund the buyout.

### A lifecycle buy-sell agreement

A lifecycle buy-sell agreement addresses these life stages, while helping ensure the business has funds to continue, regardless of what happens in the future.




**Typically, the entity is set up as a Limited Liability Company (LLC) taxed as a partnership.**

## Why create a new business entity?

- It segregates the life insurance from the other business assets for creditor protection.
- If there are other related business entities, it creates a single buy-sell vehicle.

## Why cash value life insurance?

- Cash value life insurance policies provide permanent death benefit protection upon death of a business owner.
- These policies can grow in value over time and provide a source of funding for other business owner life stages (downturn, disability and departure).

## Should your business implement a lifecycle buy-sell strategy?

| Benefits | Considerations |
|---|---|
| • Funds for business continuation in the event of business downturn, or an owner's disability, departure or death<br>• Safety from corporate and personal creditors with a separate business entity<br>• Owners' premium payments can be equalized<br>• Requires only one policy per owner<br>• Central policy management | • Must set up a separate business entity resulting in additional legal fees<br>• May be subject to meeting the insured's notice, consent and income requirements of IRC Section 101(j)<br>• May be a complex strategy<br>• Death benefit may be included in the estate and subject to estate taxes if a partner is deemed to possess incidents of ownership |

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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

Contact your financial professional today to find out how a lifecycle buy-sell strategy can cover you through every stage of your business.

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.

This information is a general discussion of the relevant federal tax laws. It is not intended for, nor can it be used by, any taxpayer for the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own tax and legal advisors regarding any tax and legal issues applicable to their specific circumstances.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first fifteen years of the contract. You should consult your tax advisor when considering taking a policy loan or withdrawal.

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.

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