

BUSINESS INSURANCE



T H E

BUY & SELL

S O L U T I O N

WHAT IS THE BUY-SELL SOLUTION ?

It is a binding agreement between business owners which provides the terms for the purchase/sale of a co-owner's business interest due to a specified triggering event such as a death, disability, or retirement. Helps protect the interest of the owners and family members while ensuring the continuation of the business.

THE DILEMA

Business owners do not want a portion of the business sold to outsiders without consent and need a way to preserve the business structure in the event a co-owner is forced to leave or in the case of the sudden death, retirement, or disability.

THE SOLUTION

Establish and fund a buy-sell agreement with life insurance to guarantee a quick sale of a business interest and spare family members the worry of any estate tax concerns.

WHY ESTABLISH A BUY-SELL ARRANGEMENT?

Guarantee a Buyer: buy & sell arrangement provides a guaranteed buyer in the event a owner leaves the business. The remaining owners are protected against the sale of a significant interest in the company to an unknown third party.

Create Liquidity: life insurance funded agreement can provide a predictable amount of funds at death or the policy cash values can allow a buy out in the case of an owners retirement or termination. Set a Fair Selling Price: business valuation strategy is determined while all partners are active and can be adjusted and negotiated at arms length

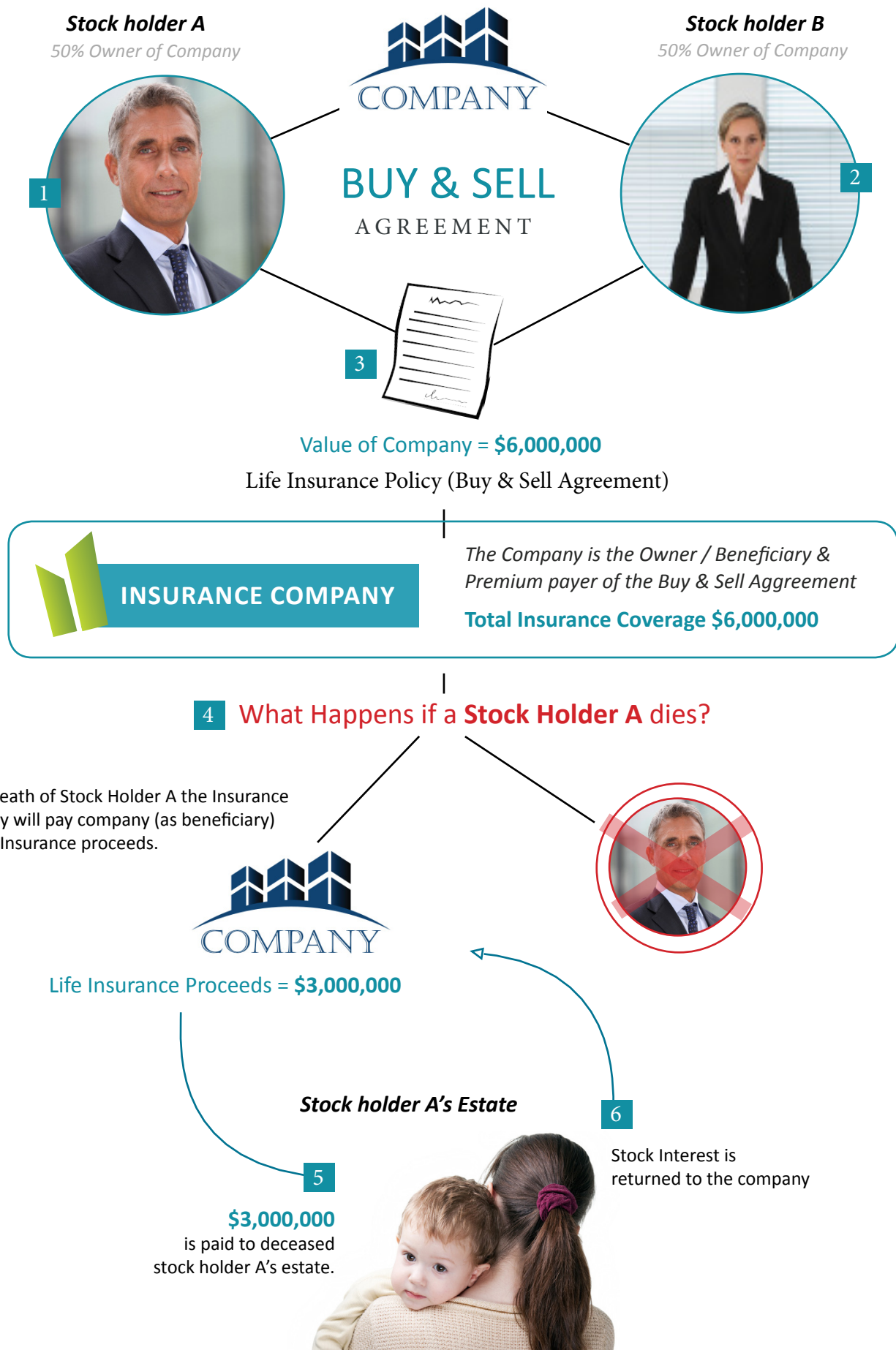
Fix Value: buy& Sell arrangement negotiated at arm's length ordinarily sets the value for estate tax purposes.

Maintain Harmony: Most business partnerships start with the best intentions, but not all pass the test of time. A major disagreement among partners or involvement of feuding family members can be disastrous. Having a proper buy& Sell agreement in place can save the business.



A Buy & Sell Agreement ensures a smooth transition among the remaining partners and the family members of the withdrawing owner

How its works...



FUNDING A BUY-SELL ARRANGEMENT

Life insurance is generally one of the most advantageous ways to fund a buy-sell arrangement. Other possible funding methods include borrowing funds, using a sinking fund, or employing an installment purchase. Life insurance has income tax advantages and does not put a strain on the cash flow of the corporation after the death, disability, or retirement of a key owner.

METHODS OF VALUING A BUSINESS

One of the most important benefits of a buy-sell arrangement is to establish a formula for pricing each partner's controlling interest. Without a pre-determined valuation of the business, conflicts of interest can burden negotiations going forward.

COMMON VALUATION METHODS:

SPECIFIC FIXED PRICE – Simplest method is for all stockholders to agree on a price in advance. Allows the owners to implement a funding arrangement based on known value.

BOOK VALUE: The value is derived from the book value (assets - liabilities) from the company accounting records. Generally used with small or start up companies.

SALES MULTIPLE: An industry specific multiplier is attached to the average annual earning over a period of years.

CAPITALIZATION OF EARNINGS: Considers past earnings history to estimate future earning to which a cap rate or rate of return is applied.

APPRAISAL :

Value is determined by an independent appraisal at the time of sale.

TYPES OF BUY & SELL ARRANGEMENTS

The two most commonly used buy-sell arrangements are the entity purchase and the cross-purchase plans.

The entity purchase plan also known as a stock redemption plan, Under this plan the business agrees to purchase the deceased owner's interest. To fund the plan, the business purchases a life insurance policy on each business owner.

A cross-purchase plan is an arrangement in which each business owner owns a life insurance policy on the other and agree to buy the deceased owner's interest. This type of plan works best with 3 or less business owners.

Other types of buy-sell arrangements include a one-way plan and a cross endorsement plan.

A one way buy-sell arrangements a type of plan in which a valued employee, who may be a family member or a key person in the business, will purchase and own a life insurance policy on the life of the business owner. With a cross endorsement buy-sell arrangement (CEBS), each business owner will purchase and own a life insurance policy on his or her life.



PARTNERS

- Allianz
- AIG American General
- ANV
- Axa Equitable
- Catlin
- Hardy
- Hiscox
- ING
- John Hancock
- Lincoln Benefit Life
- Lincoln Financial
- Lloyd's
- Mass Mutual
- Met Life
- SunLife Financial
- Principal Life
- Prudential
- Transamerica
- Travelers
- West Coast Life
- Zurich

BEST RATED CARRIERS



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