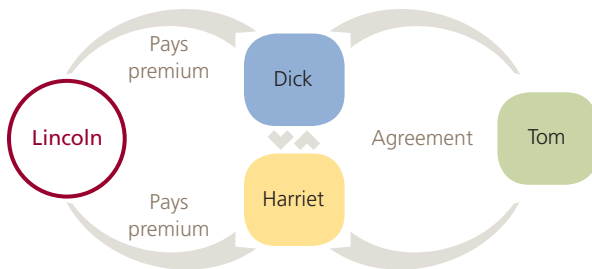




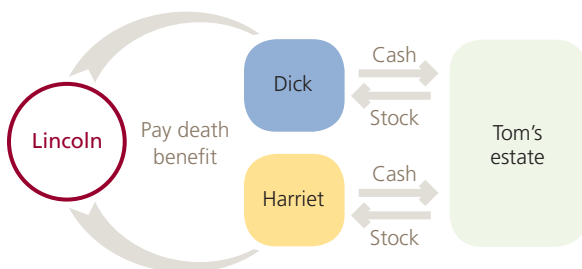
## Cross-purchase buy-sell plans for businesses

## Preserve control and value of a business even if one owner isn't there

### During Life



### At Death



### Why you should consider a buy-sell agreement

Buy-sell planning helps preserve control and value of a business at the death, disability, or retirement of an owner. These agreements provide that the estate of a deceased owner will be paid a fair value for his/her interest, and that the surviving owners will maintain control and ownership of the business. Life insurance on the owners can be a source of money to fund these arrangements.

### How it works

A cross-purchase agreement typically provides for the complete disposition of a business interest. This arrangement is between the owners, who agree to buy or sell their individual interest upon death, disability, retirement, or other defined events.

To fund this type of arrangement with life insurance, each owner purchases, owns, and is the beneficiary of a policy on each of the other owners. At the death of an owner, the insurance benefits are paid directly to the surviving owners. They then use the funds to pay the deceased owner's estate for his or her interest in the business.

One key advantage of using a cross-purchase agreement is that surviving owners receive an increase in their cost basis, equal to the purchase price. This can be important if the survivors eventually sell the business and want to reduce their taxable gain.

## Find out more

To help you learn whether your business would be a good candidate for this type of buy-sell planning, we've included this abbreviated worksheet. Jot down a few quick answers, and we can take it from there. Let us help you determine what type of buy-sell arrangement makes good business sense.

## Business succession fact finder

Name of company \_\_\_\_\_ Type (C Corp, S Corp, LLC, partnership) \_\_\_\_\_ Tax bracket % \_\_\_\_\_ (federal + state)

### Information for proposal

Owner name	Age	Tax bracket	Sex	S/N*	Percent owned	Annual compensation	Health†

Existing life insurance

\*Smoker or nonsmoker †Preferred, standard, or expected rating

### Hypothetical business valuation

Assets	\$
Liabilities	–
Book value	=
Type of business risk (expected earnings) (Safe 8% – 11%, average 12% – 17%, speculative >18%)	
Earnings history (goodwill multiplier) (Stable 7–9 times, variable 4–6 times, volatile 1–3 times)	

Valuation experts, such as your accountant and appraiser, should always oversee the valuation process.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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