

PROTECTING THE FUTURE OF YOUR BUSINESS

A buy-sell agreement is a contract that stipulates how a partner's share of a business may be transferred upon a triggering event, such as the death, retirement, disability, or other withdrawal of a business owner.

Buy-sell agreements can be a powerful business succession tool. There are numerous types of buy-sell agreements offering flexible, customizable solutions that can provide certainty, mitigate conflict, and facilitate a smooth ownership transition.

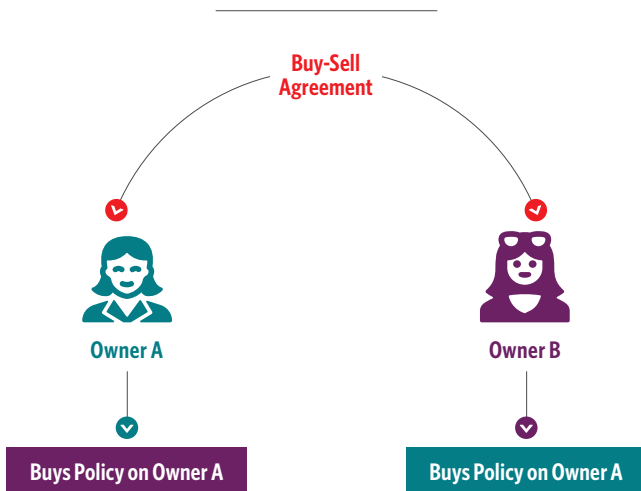
For businesses with a small number of owners, a cross-purchase buy-sell agreement may be a good option to help make sure their business continues if something were to happen to them.

HOW DOES A CROSS-PURCHASE BUY-SELL AGREEMENT WORK?

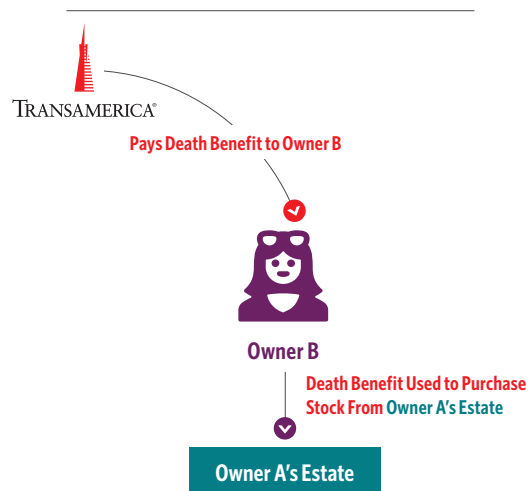
In a cross-purchase buy-sell agreement, each business owner purchases a life insurance policy on the other business owner; each owner is the payer and beneficiary of the policy they own. This strategy is typically used for businesses with two owners but can be implemented for businesses that have more than two owners.

If one of the owners dies, the life insurance benefit received by the surviving business owner is used to purchase the business interests of a deceased owner per the buy-sell agreement.

DURING LIFETIME



UPON THE DEATH OF INSURED A



CROSS-PURCHASE BUY-SELL BENEFITS

- **Establish a value for the business** – The agreement stipulates an agreed-upon purchase price and identifies buyers of the business in the event one of the owners has a disability or passes away.
- **Maintain business continuity** – The agreement maintains the same ownership for the benefit of employees, customers, and creditors.
- **Retain full control** – A buy-sell agreement ensures the remaining shares of the business will not pass to an unsuitable owner.
- **Receive full basis credit** – The surviving owner will receive full basis credit upon purchasing the stock from the other partner, potentially providing reduced capital gains if the business is sold in the future.

BUY-SELL AGREEMENT - PLAN IN ACTION HYPOTHETICAL CASE STUDY

Maria and **Jessica** started their advertising company five years ago and have grown their partnership substantially in a short period of time. Each owns 50% of the company and they recently had their business appraised at **\$2,000,000**.

Maria and Jessica would like to maintain the continuity of their business in the event one of them became disabled or passed away while ensuring their families received the full value of their share of the business. They spoke to a financial professional who suggested they establish a buy-sell agreement that is set up as a cross-purchase plan.

Maria and Jessica enter into an agreement for the sale of their ownership interest in the business in the event of death or disability. Since the business is valued at \$2 million and they are looking for a cost-effective solution, they decide to purchase a \$1 million *Transamerica Trendsetter® Super* 20-year term policy on each other's lives. If either Maria or Jessica were to pass away, the surviving owner would receive a **\$1,000,000** federal income tax-free death benefit, which she could use to purchase the deceased owner's stock.

By entering into a Cross-Purchase Buy-Sell Agreement with each other, Maria and Jessica have peace of mind knowing their business will be able to continue if either one of them were to pass away while also helping to provide for their families.



TRANSAMERICA TRENDSETTER SUPER – POLICY DETAILS

POLICY OWNERSHIP	POLICY OWNED BY JESSICA	POLICY OWNED BY MARIA
Insured	Maria	Insured
Age	45	42
Risk Class	Preferred Plus	Preferred Nonsmoker
Face Amount	\$1,000,000	\$1,000,000
Term Duration	20 Years	20 Years
Level Premium	\$66.30 / Month	\$62.05 / Month

WHY TRANSAMERICA TRENDSETTER SUPER?

GUARANTEED TERM LIFE PROTECTION¹

for 10, 15, 20, 25, or 30 years
with guaranteed premiums
during the level term period.

NONMED UNDERWRITING²

allows qualifying applicants to
purchase up to \$2 million of
coverage without the need for a
medical exam or lab work.

CONVERSION OPTION

provides the flexibility to convert the policy
to permanent life insurance without having
to undergo an additional medical exam.
During the Early Conversion Period, an
expanded suite of permanent products are
available for conversion.



TRANSAMERICA®

The future starts today.

 **Visit:** transamerica.com

Trendsetter® Super is a term life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Forms ICC16 TL24, TL24. Premiums increase annually beginning in year 11 for the 10-year policy, in year 16 for the 15-year policy, in year 21 for the 20-year policy, in year 26 for the 25-year policy, and in year 31 for the 30-year policy. Policy form and number may vary, and this policy and the riders with this policy may not be available in all jurisdictions. Insurance eligibility and premiums are subject to underwriting.

Underwriting guidelines are subject to change without prior notice.

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