

LOOKING AHEAD

BUSINESS SUCCESSION PLANNING

There are over 29.6 million small businesses in the United States. They account for over 99.9% of all the enterprises in the country.¹ Many of these companies could benefit from proper planning, presenting a tremendous market opportunity.

CONSEQUENCES OF NOT HAVING A PLAN

- Failure or liquidation of the business in the event of death or sudden incapacity of the business owner, partner, or key employee.
- Unqualified and inexperienced heirs running the business.
- Loss of income stream to remaining family members.
- Unwanted litigation expenses due to disagreements among heirs and family members.
- The overall value of the business may be less when the heirs ultimately decide to sell.

KEY BENEFITS OF HAVING A PLAN

- Immediate implementation is available to avoid negative impact to the business.
- Agreed value of the business is maximized.
- Appropriate not just at death but also with life-event changes, such as disability and retirement.
- Business sale proceeds can provide an income stream for loved ones.

FOUR REASONS TO CONSIDER LIFE INSURANCE

- Provides immediate liquidity.
- Helps to ensure continuity of the business.
- Equalizes the estate for loved ones.
- Provides flexibility with the use of cash values as a possible source of funds.

ADDITIONAL CONSIDERATIONS

- Trendsetter® Super Series term portfolio offers older max issue ages which makes term insurance a good option for an older co-principal or key person.
- Transamerica offers tax-advantaged cash value accumulation potential with Transamerica Financial Foundation IUL®.
- Business succession planning can:
 - Drive larger cases for IUL and term sales.
 - Uncover cross-selling opportunities for other business planning needs.

IDEAL CLIENT PROFILES

Co-principal in a closely held company

Self-employed business owner

Sole proprietor with a key employee

TRANSAMERICA PRODUCTS

Trendsetter® Series

Transamerica Financial Foundation IUL®

¹ https://www.sba.gov/sites/default/files/advocacy/United_States_1.pdf



TYPES OF BUY-SELL AGREEMENTS

CASE STUDY: CROSS PURCHASE WITH TRANSAMERICA FINANCIAL FOUNDATION IUL®

FACTS:

- Marty, age 57, and Marcy, age 62; brother and sister, both married.
- Equal co-owners of an S corporation, inherited from father.
- Business valued at \$4 million by a certified appraiser.

GOALS AND OBJECTIVES:

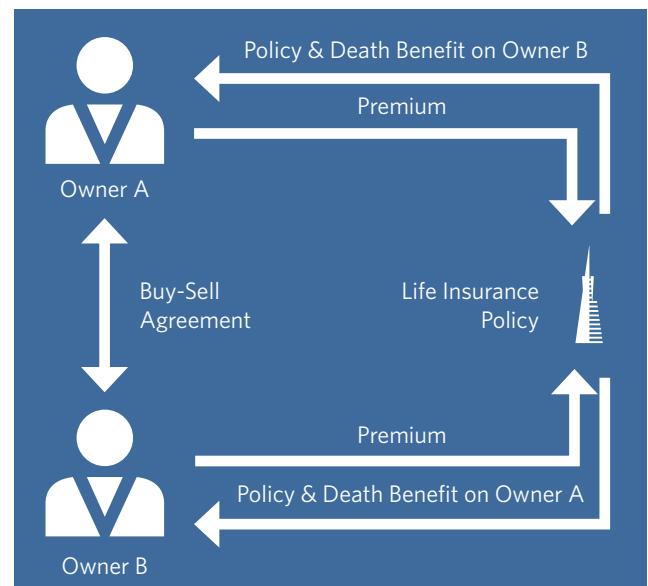
- Neither wants to co-own business with sibling's spouse or heirs.
- Owners likely to transition business in next 10 years.
- Need funding to pay for sale of business interest.
- No current plans to retire, but would like a plan in place to cover death, divorce, incapacity, etc.
- After departure of one owner, remaining owner likely to sell business to third party.

ACTION TAKEN:

- Marty and Marcy implement a cross-purchase agreement and purchase life insurance on each other.
- At the death of Marty or Marcy, the death benefit provides the survivor with the liquidity to purchase the business from the deceased's surviving spouse.
- If they sell the business and no longer need the cross-purchase agreement, they can transfer the policies back to each other (the insureds), and thereby avoid the transfer-for-value rule.
- The policies could be repositioned for estate planning or for retirement purposes.
- With Transamerica Financial Foundation IUL®, the cash value accumulation in the policy could be used to fund or partially fund a living buyout of business interest.

CROSS-PURCHASE

- Simple strategy for a company with two owners.
- Business owners put an agreement in place with each other to purchase life insurance on each other's lives.
- Each business owner purchases life and/or disability buyout insurance on the other business owner(s), and is the beneficiary of the owned policies.
- Upon the death or exit of one owner, the remaining business owner(s) can use the policy proceeds or cash value accumulation to purchase their pro rata shares of the exiting owner's interest.
- Assures step-up in basis for the remaining owner(s).



TYPES OF BUY-SELL AGREEMENTS

CASE STUDY: STOCK REDEMPTION WITH TRENDSETTER® SUPER 20

FACTS:

- Paul, age 55, and John, age 70; co-owners of an S corporation.
- Paul owns one-third and John owns two-thirds of business.
- Business is valued at \$3 million by a certified appraiser.

GOALS AND OBJECTIVES:

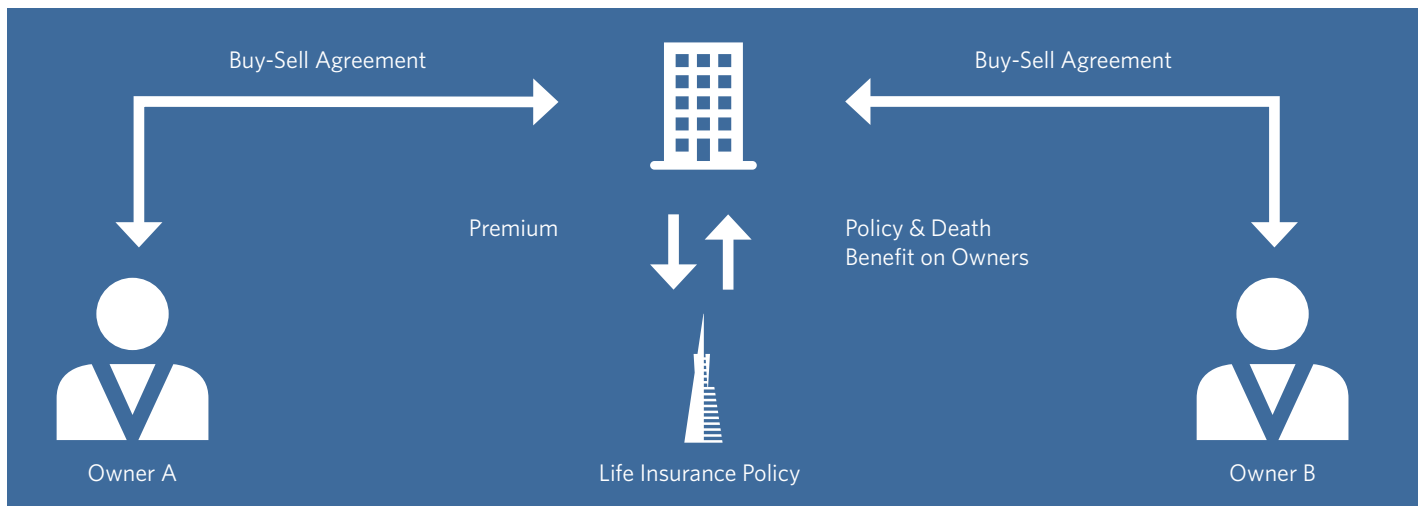
- John and Paul need a plan to ensure the business interest is passed to the survivor at the time of the first owner's death.
- They would like to equalize responsibility for uneven premiums due to age and underwriting.

ACTION TAKEN:

- Business implements a stock redemption plan.
- At age 70, John is eligible for Trendsetter Super 20.
- Corporation owns and pays premiums on life insurance policies on John and Paul.
- The death benefit will provide funds for the company to redeem the deceased's interest, leaving the surviving partner as the sole owner, and providing liquidity to the estate of the deceased partner.

STOCK REDEMPTION

- Generally used when there are multiple business owners who want to use the assets of the business to fund the agreement.
- Business owns, pays premiums on, and is the beneficiary of a life insurance policy on each owner's life.
- The business:
 - Receives death benefit when owner dies.
 - Uses the proceeds to purchase deceased owner's interest from his or her estate.
 - With Transamerica Financial Foundation IUL®, the cash value accumulation in the policy could be used to fund or partially fund a living buyout of business interest.
 - Receives no deduction for premiums paid.
- Can help to equalize the cost of insurance when owners' ages vary widely.
- There is no step-up in basis for the surviving owner(s) of a C corporation after a stock redemption.





BUSINESS SUCCESSION PLANNING PRODUCT SPOTLIGHT

- Transamerica Financial Foundation IUL[®] policy provides a death benefit payable to the co-owner or business upon the insured's death.
- Transamerica Financial Foundation IUL[®] policy allows for flexible premium funding patterns to mirror the growth and earnings of the business and owners.
- Transamerica Financial Foundation IUL[®] policy can be designed and funded for supplemental cash value accumulation, providing a source of funds for the business and/or owners
- Trendsetter[®] Super term life insurance offers some of the highest maximum issue ages in the industry.

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