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:

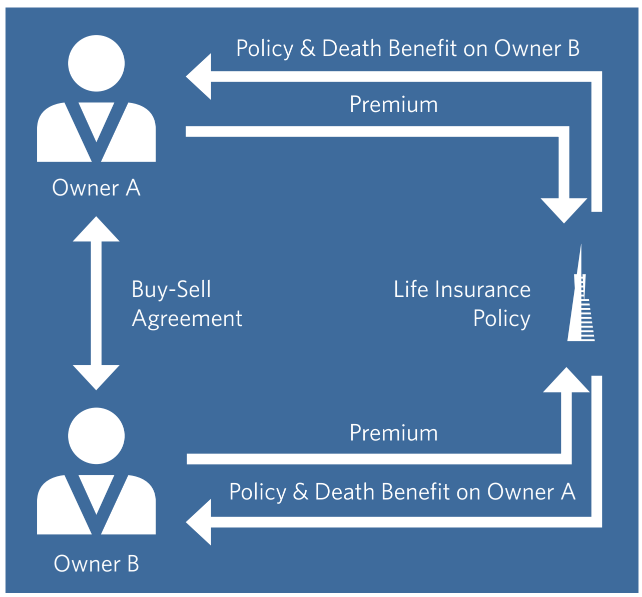
- Neither wants to co-own business with sibling's spouse or heirs.
- Owners likely to transition business in next 10 years.
- Need funding to pay for sale of business interest.
- No current plans to retire, but would like a plan in place to cover death, divorce, incapacity, etc.
- After departure of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



TRANSAMERICA®