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:

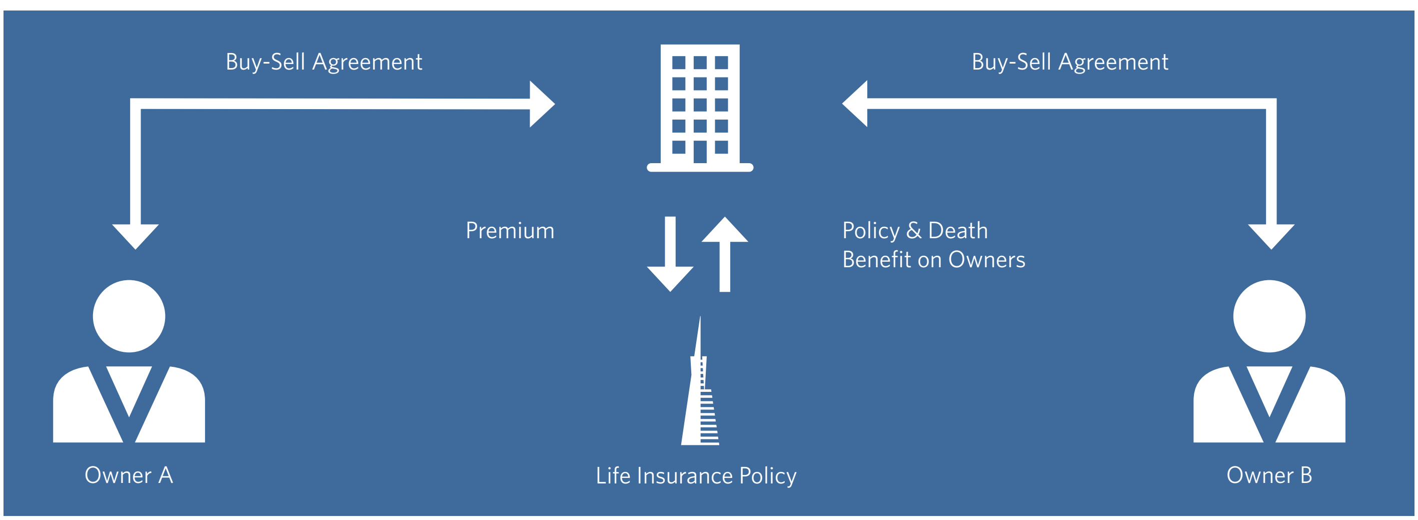
- John and Paul need a plan to ensure the business interest is passed to the survivor at the time of the first owner's death.
- They would like to equalize responsibility for uneven premiums due to age and underwriting.

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.



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