

Buy-Sell Arrangements

Problem:

The owners of a closely held business want the business to stay with the remaining owners in the event of death, disability, or retirement of one of the owners. The business owners have spent many years creating and growing the business and it is now one of the major assets in each of their estates. One of the business owners has expressed a concern that funds may not be available to buy out a deceased owner.

Prospects:

Owners of all closely held businesses including: sole proprietors, partnerships, S corporations, Limited Liability Companies, and C corporations.

Business owners that have an interest in:

- Establishing an estate tax value for the business.
- Ensuring a ready market for their business interest.
- Seeing that the business stays within the family or owner group.
- Ensuring that funds will be available to purchase a deceased owner's interest.

Solution:

Establishing and funding a buy-sell arrangement with life insurance may be a cost-effective means to ensure the smooth transition of a departing owner. A buy-sell arrangement is an agreement in which one party agrees to buy, and another party agrees to sell, a business interest. Funding the arrangement with life insurance helps to ensure that cash will be available for the buyout, no matter when death occurs.

Additional Benefits of Establishing and Funding a Buy-Sell Arrangement:

For the departing owner or heirs:

- If properly drafted, implemented and maintained, the buy-sell agreement helps to establish the business value for estate tax purposes.
- Provides liquidity to pay estate taxes and/or meet family income needs.
- Guarantees a buyer, providing a ready market for the sale of the business interest.

For the purchasing party(s):

- Minimizes the risk of the business being sold to outsiders and allows surviving owners and/or family members to retain control.
- Employees, creditors, and suppliers gain added security that the business will continue.
- When funded with life insurance, cash is available to meet the purchase obligations created by the agreement.

Call Advanced Marketing to find out how Buy-Sell Arrangements can help solve your client's business continuation needs.

This training material has been prepared to assist our licensed financial professionals. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that Prudential is not rendering legal, accounting or tax advice. Such services should be provided by the client's own advisors.

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QUESTIONS? CALL ADVANCED MARKETING

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