Will the right funding be there when you need it?

An effective buy-sell agreement should allow you to have the right amount of money in the right place at the right time. A properly funded, well-drafted agreement that reflects your goals and objectives can protect you during both planned and unplanned events including retirement, death, disability, divorce or termination.

Funding your buy-sell agreement

Funding and payment terms: Are timing and liquidity needs in sync?

Adequacy: Is there any funding? If yes, is there enough?

Ownership of funding sources: Does the funding source provide payment to the right person or entity? And, is it consistent with the buy-sell agreement?

Do your agreement payment terms match your funding source?

If your agreement requires a lump sum buyout, you will need to choose a funding source that provides a lump sum payment option.

Business owners integrate insurance significantly more often for a death-triggered buyout than those triggered by disability.
Funding reality

Life insurance funding

- Funding not required: 72.45%
- Funding required: 27.55%

Disability buyout insurance funding

- Funding not required: 95.00%
- Funding required: 5.00%

Where will the money come from and who will receive it??

**Cash**
Requires sufficient cash flow to pay the full price in a lump sum

**Loan**
Involves unknown factors such as future credit availability and cost of borrowing; must repay borrowed funds (with interest) from earnings; a down payment is generally required

**Savings**
Does not assure that sufficient funds will be available when needed because of unpredictable departure timing

**Installment sale**
Requires repayment from earnings and is contingent on future success of business

**Insurance**
Purchased upon implementation of agreement and provides liquidity when needed even for the unpredictable nature of both death and disability

Learn more
Contact your financial professional or go to principal.com.


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