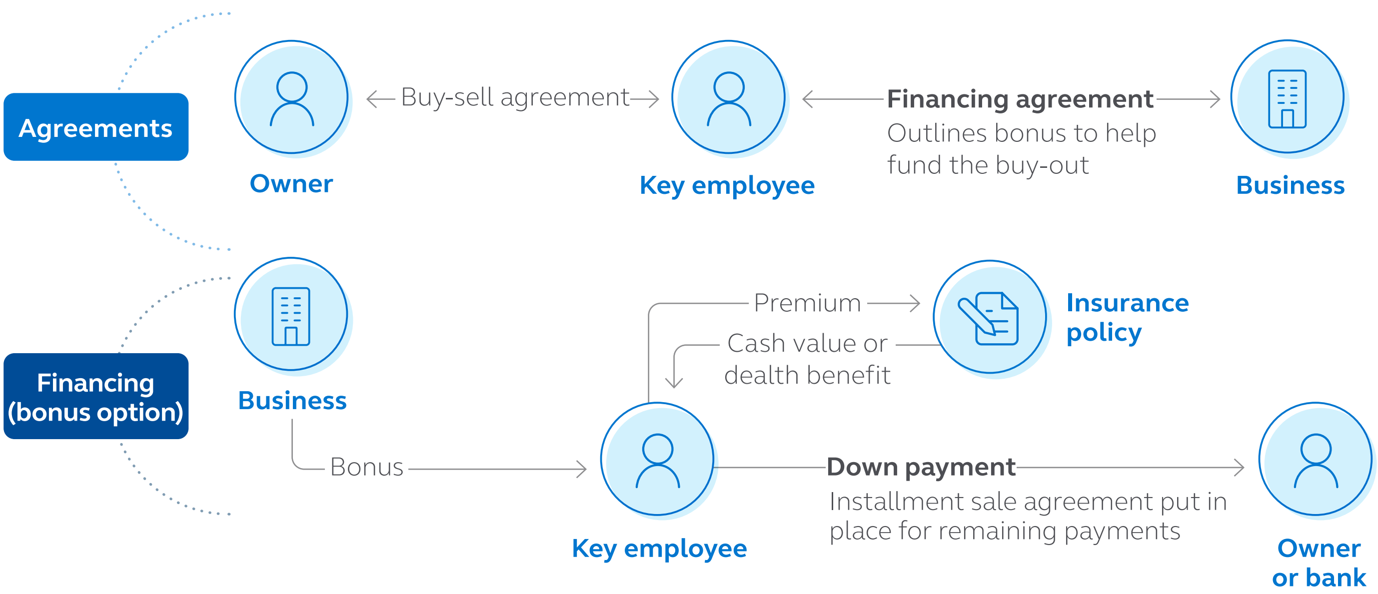
Prepare today for the unknown future of your business.

Do you and your co-owners have a strategy in place to transfer your business to the right people, at the right time, for the right amount of money? A Principal Select Buy-Out Plan can help protect the future of your business. With this type of arrangement, you identify a successor, often a key employee, and enter into a buy-sell agreement. The Select Buy-Out Plan plan supports the funding of the agreement. This offers you control and flexibility in the timing and financing of the buy-out. The purchase can be triggered by your death, disability, retirement, or other departure.

Here's how it works.

Once the buy-sell agreement is in place, a life insurance policy is purchased to finance the future buy-out. This can be owned and financed in one of two ways: by the business or by the key employee. Either way, the policy can accumulate liquidity that can be used by the key employee to meet down-payment requirements upon a triggering event.



What you need to know (bonus plan option)

There are advantages and considerations for this flexible sort of agreement, no matter which financing option you choose.

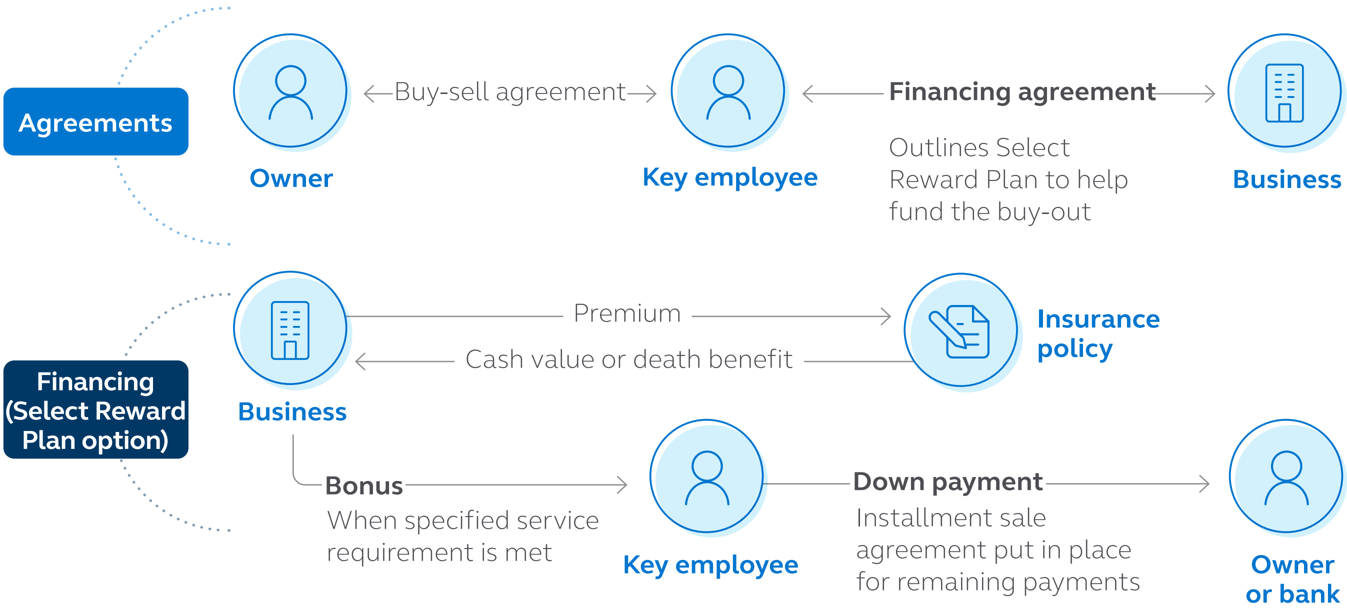
Business receives a current tax deduction. Business bonuses the premium to the key employee as compensation. This bonus is generally tax deductible.

Key employee is the insured and owns the insurance policy. Personal beneficiaries may receive tax-free benefits upon the key employee's death.

Key employee pays taxes. The key employee is taxed on the bonus from the business. The bonus can be grossed up to cover the taxes.

Key employee makes down payment. Employee begins the buy-out using funds from the insurance policy. The buy-out can be financed by the owner, or through a bank loan.

Key employee can reduce risk. Key employee may consider purchasing term life insurance on the current owner. This could provide tax-free proceeds should the owner die prior to completion of the sale.



What you need to know (Select Reward Plan option)

There are advantages and considerations for this flexible sort of agreement, no matter which financing option you choose.

Business owns the insurance policy. Business pays the premium with after-tax dollars. Should the key employee die, the business receives the income tax-free death benefit, which can be used to help recover costs.

Encourages loyalty. Provides an incentive for the key employee to remain loyal to the organization for a predetermined service period.

Business receives a tax deduction. In the year the bonus is paid or the life policy is transferred to the key employee, the business receives a tax deduction for the entire bonus.

Key employee pays taxes. Upon meeting the service requirement, the key employee receives the promised benefit and is taxed on it.

Key employee can reduce risk. Key employee may consider purchasing term life insurance on the current owner. This could provide tax-free proceeds should the owner die prior to completion of the sale.

Learn more | Contact your financial professional today.

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