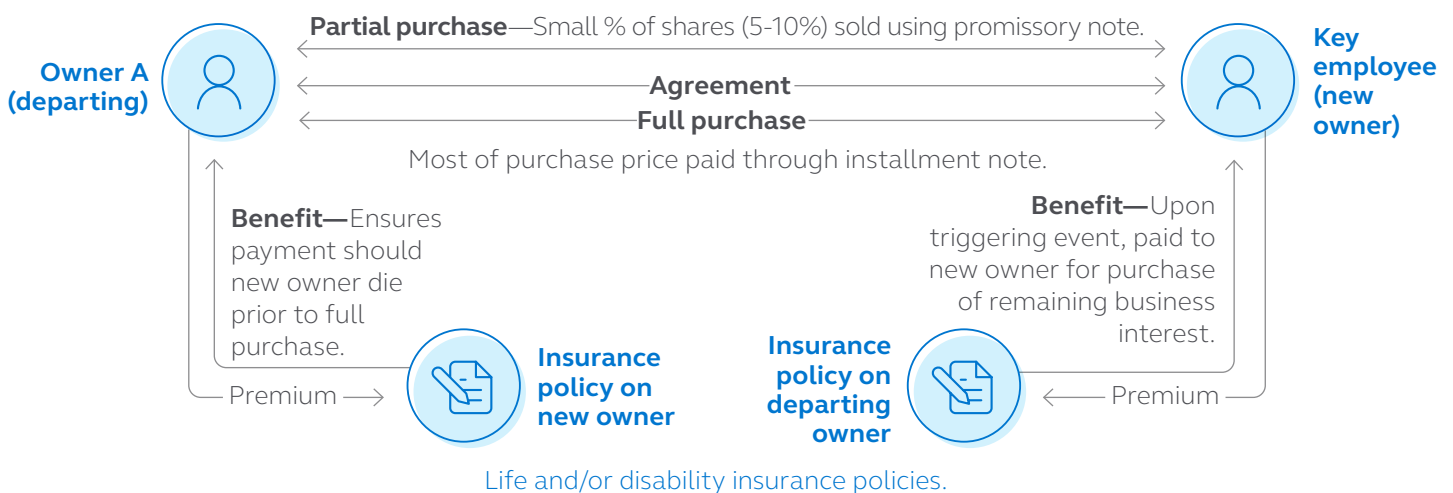


Prepare today for the unknown future of your business.

Do you have a strategy in place to transfer your business to the right people, at the right time, for the right amount of money? A sole-owner transition plan can help protect the future of your business. When businesses are owned by one person (or two spouses with one being the primary owner/manager), this arrangement can help employees acquire the business when they may not have otherwise had the resources. It can document plans for transferring the business for planned events, such as your retirement, as well as unplanned events, such as death or disability.

Here's how it works.

Once a key employee purchases a small percentage of the business, a buy-sell agreement is put in place that obligates them to purchase the remaining business interest of the departing owner. Upon the triggering event, the key employee then uses installment notes to complete the purchase. Life and disability insurance can help finance this purchase. Plus, it protects the departing owner from the unexpected death or disability of that key employee (purchasing owner).



What you need to know

There are advantages to this sort of an agreement, just as there are some other things to consider.

Business doesn't incur costs. The business is not a party to the agreement, but may choose to bonus the premium payments to the owner and key employee.

New owner receives tax benefits. Insurance proceeds are income tax-free. And, cost basis in the company is increased by the amount paid to the departing owner (or heirs).

Owner and key employee are owners and beneficiaries of each other's policies. Each pays premium with after-tax dollars.

Tax implications can vary by triggering event. Family members generally receive an adjustment in cost basis following an owner's death. For disability and other lifetime triggering events, the selling owner may recognize capital gain.



Learn more

Contact your financial professional today.



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