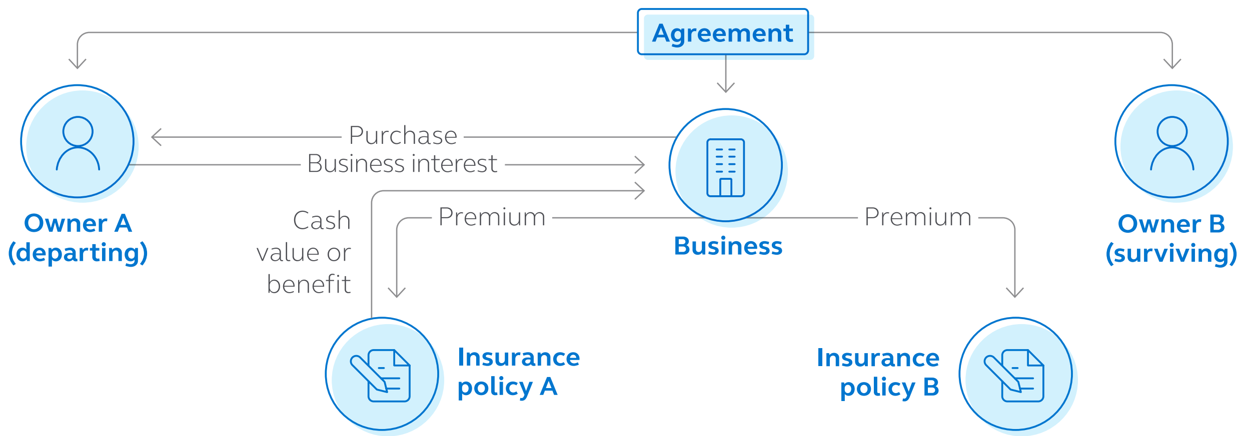
**Overview** | Entity purchase buy-sell agreement

# 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? Transitions are more successful when you have established a plan for your departure—whether expected or unexpected. You can protect your business by putting a buy-sell agreement in place. An **entity purchase buy-sell agreement** arranges for the business (rather than the other owners) to purchase a departing owner's interest. The purchase can be triggered by death, disability, divorce, retirement, or other events.

## Here's how it works.

Once the agreement is in place, the business purchases a life and/or disability buyout insurance policy on each owner. The business is the owner, premium payer, and beneficiary of those policies. Upon the triggering event, the business purchases the departing owner's business interest using policy cash values or benefits from the policy.



## What you need to know

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

**Fewer policies are needed.** The business owns and pays the premium on one policy per owner.

**Remaining owners may pay higher taxes later.** Since the remaining owners don't purchase the departing owner's shares directly, they might not receive a full increase in basis, depending on the structure of the business.

**Family-owned businesses may require additional planning.** If departing owner's family members remain owners, special planning may be necessary.

**Tax implications can vary by triggering event.** Family members inheriting a business generally receive an adjusted basis following an owner's death. For disability or other lifetime triggering events, the selling owner may recognize capital gain.

### Learn more

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