



Cross Purchase Buy/Sell Forward to Council Documents

Preparing for the untimely loss of a business partner

Your challenge

If your business partner died tomorrow, you could be faced with a downturn of revenue, diminished marketability and a new business relationship with your partner's family.

A potential solution

You may need a large amount of money in a short timeframe if your partner passes away. By funding a cross purchase buy-sell arrangement with a life insurance policy, you could have an instant asset at your disposal to help you buy out your partner's family.

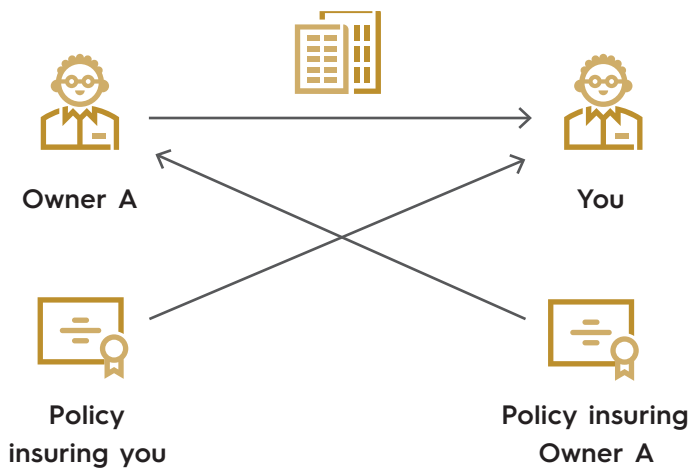
Because your
business is
your life

Why life insurance?

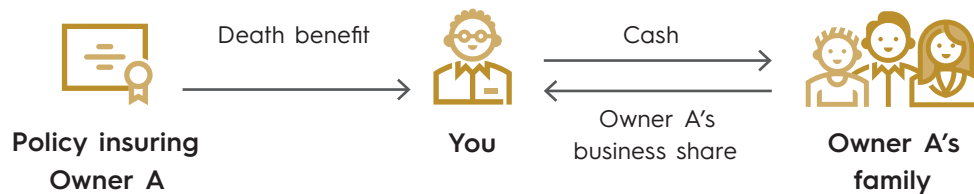
Permanent, cash value life insurance is a long-term financial tool that can provide an immediate source of funds with which to buy out your partner's survivors.

How does a cross purchase buy-sell arrangement work?

- You and your business partner(s) enter into a buy-sell agreement prepared by an attorney
- The agreement provides that on the death of one owner, the surviving owner(s) will buy the deceased owner's share of the business for cash
- Each business owner applies for and owns a life insurance policy on the other owner(s)



- If Owner A dies first, you receive the policy's income tax-free death benefit on Owner A
- You use the death benefit to buy Owner A's share of the business from the surviving family
- Owner A's family receives cash, and you retain the business and become the sole owner



Why use a cross purchase buy-sell?

Benefits

- Gives a basis increase for surviving owners
- Can reallocate the owners' interests at buyout
- Cash value and death benefit are safe from business creditors
- Works well for two or three business owners
- Allows business owners to own and control the life insurance policies funding the agreement
- Ensures the business is transferred according to the owners' wishes

Why not use a cross purchase buy-sell?

Considerations

- Difficult to use insurance proceeds for personal retirement
- Not safe from personal creditors
- Administration can be complex with more than two or three business owners
- Can be difficult to unwind at retirement
- Premium payments may not be equal among owner
- Health of owner could affect insurability
- Premiums are not deductible

At Fortress Brokerage Solutions, we're here for family. And we're here because of it.

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Those who believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.



Learn more

To learn how you can implement a cross purchase buy-sell arrangement to ensure business continuity, contact your financial professional today.



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