



Entity Redemption Buy/Sell Forward to Council Documents

Prepare for the unexpected loss of a business partner

Your challenge

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

A potential solution

You may need a large quantity of money in a short amount of time if your partner passes away. With an entity redemption buy-sell arrangement funded through life insurance policies, your company could have an instant asset at its disposal to help buy out your partner's family.

Because your
business is
your life

How does an entity redemption buy-sell arrangement work?

1. Multiple owners of a business enter into an agreement (prepared by an attorney) that, should any owner die, the company will purchase the shares from that owner's heirs.
2. The business purchases a life insurance policy on each owner, which will serve as the source of funds the business will use to redeem the deceased owner's shares. The business is the owner and beneficiary of all the policies.



3. When Owner A dies, the business receives the death benefit from A's policy income tax-free.¹
4. The business purchases the shares from that owner's heirs with the policy's death benefit, and retires them.



The subsequent decrease in the number of shares outstanding increases the value of the shares for the surviving owners. Owners B and C now each own 50 percent of the business, and Owner A's estate has cash from the sale of the business interest.

Why life insurance?

Permanent 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.

Why use an entity redemption buy-sell?

Benefits

- Works well with three or more owners of a business
- Requires only one policy per owner
- Total premium payments can be equalized among owners
- Not subject to personal creditors
- Allows business to own and control the life insurance policies funding the agreement
- Easier to administer policy transfer upon unwinding the business

Why not use an entity redemption buy-sell?

Considerations

- Does not increase basis for surviving owners of a C corporation
- Not safe from corporate creditors
- Owner retirement benefits are taxable if a cash value life insurance policy is used
- EOLI written notice and consent rules apply
- Health of owners could affect insurability
- Premiums are not income tax-deductible by the business

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 an entity redemption buy-sell arrangement to help ensure business continuity, contact your financial professional today.



INSURANCE
INVESTMENTS
RETIREMENT

6190 Powers Ferry Road, Suite 505 Atlanta, GA 30339

(678)322-3040