

Buy sell

Case Study

North American Company for Life and Health Insurance®

ADDvantage® Term life insurance

Quick look

Whether your clients own a large company or a small family-operated business, their success depends on smart strategy and planning. The death of an owner or partner can be an uncertain time for the life of a business. A buy-sell agreement can help prevent unintended or unwelcome transfers of ownership. It may also help protect your client's heirs, by providing an opportunity to turn inherited business shares into cash.



The situation

Your clients have been repairing cars for a while when they decided to open up their own shop. The business has been successful, and they now want to make sure they are making the right financial decisions. What would happen if suddenly one of them were to pass away? The surviving spouse and family would inherit half the business.

Your client's spouse doesn't want to run an auto-repair shop, and the surviving owner doesn't want to be in business with his former business partner's spouse. A plan is needed to protect the future of the business.

A solution

The businessmen meet with an attorney to draw up a buy-sell agreement. The agreement states that the surviving owner must buy out the deceased owner's share of the business at death at an agreed-upon price.

They look at a few low-cost solutions and decide on term life insurance. Each business partner takes out a term life insurance policy on the other partner. They each pay the premium on the policies, and name each other as the owner of the policy and the beneficiary of the death benefit.

Now, if one were to pass away, the life insurance death benefit proceeds would be paid to the surviving business partner. Under the buy-sell agreement, the surviving partner would be obligated to use the cash to purchase the remaining business interest from the former business partner's spouse. Because life insurance is designed to transfer funds efficiently and generally tax-free,¹ the surviving businessman has the cash he needs without having to liquidate business assets or put his own personal property up for collateral. Your clients found a competitive solution with North American's ADDvantage Term life insurance.

Share this concept with your clients today!

1. Neither North American Company nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

Please refer to the current ADDvantage Term Marketing Guide for complete details.

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