



North American Company
for Life and Health Insurance
Since 1886

Life

Business Solutions

Funding a Buy-Sell Agreement with Life Insurance

Consumer Brochure





Whether you own a large company or a small family-operated business, the success of your business depends on smart strategy and planning. It's important to protect your hard work. North American Company offers business solutions to help ensure that all the effort and money invested in a business won't disappear when the unexpected happens.

HIGHLIGHTS	BUY-SELL AGREEMENT
Who can benefit?	Owner or stockholder in a closely held private company.
Why Life Insurance?	Life insurance guarantees assets will be available to fund the agreement for protection against unintended transfers of ownership, along with an opportunity for heirs to turn shares into a cash inheritance.
How does it work?	Surviving owners can purchase the deceased owner's share of the business – without taking out a loan, or giving up needed capital.

A BUY-SELL AGREEMENT FUNDED WITH LIFE INSURANCE

The death of a business owner or partner can be an uncertain time for the life of a business. A buy-sell agreement can help protect you and your business from the effects of unintended or unwelcome transfers of ownership. It may also help protect your heirs, by giving them an opportunity to turn shares into cash. In addition, many consider it important to develop a plan to help surviving family members or owners fund the transfer of ownership of the business. By purchasing a life insurance policy to fund your buy-sell agreement, you can help protect and extend the life of your business.

WHO CAN BENEFIT?

From modest family operations, to multi-billion dollar corporations, the death of an owner can seriously cripple a business. A buy-sell life insurance agreement allows for a smooth transition in ownership to the surviving owners. Without a buy-sell agreement, the heirs of the deceased owner will inherit those shares of the company. They can then sell their shares of the business to anyone—which could force important decisions about how the company is run to be made by people outside of the surviving owners' control.

The heirs of the deceased might not want to be a part of the business. A buy-sell agreement allows the family of the deceased to turn their inherited interest in the business into cash—freeing them from the burden of taking on a role as an owner of the business.

By planning ahead with a buy-sell agreement, you can avoid unnecessary hardship on both family and colleagues. Your business can continue to succeed into the future, and avoid lengthy probate court and lawsuits.

You've worked hard to make your business a successful one. Help to make sure it continues to be successful by planning for the unexpected.

WHY LIFE INSURANCE?

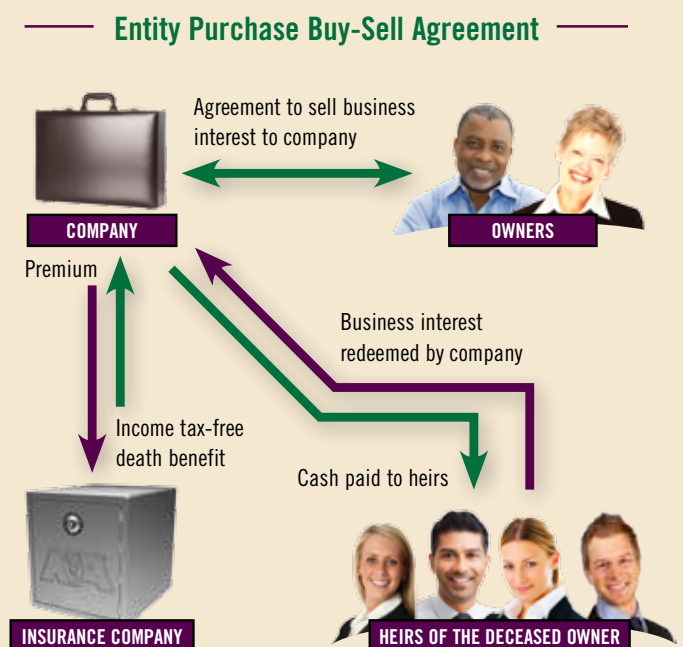
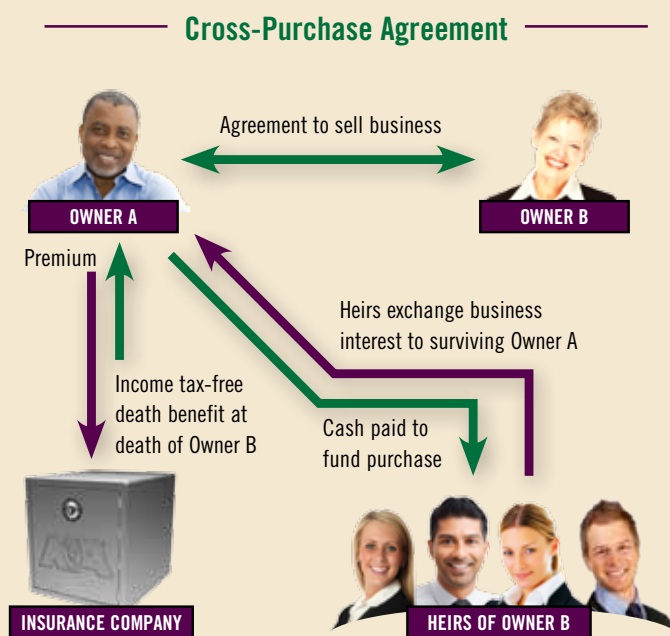
Creating a buy-sell agreement alone only protects your business partially. For complete protection, the surviving owners must have the funds available to buy the deceased's portion of the business back from the heirs. This may mean borrowing the funds at expensive interest rates, which could damage the business. It could mean liquidating business capital still needed by the business, which could also have negative impacts. Sometimes, when neither borrowing from a lender or the business is an option, surviving owners are forced to use their personal property—homes, cars, etc.—as collateral on a private loan. And ultimately, if none of these risky options work, the heirs of the deceased are left with shares in a business they don't want, and no inheritance.

There are several methods to fund a buy-sell agreement, but coming up with the cash may not be possible. Life insurance is a cost-efficient, relatively simple way to do this, and the funding may not only be guaranteed, it's generally tax-free.

HOW IT WORKS:

There are two ways a buy-sell agreement can work. The first is a Cross-Purchase Agreement:

First, each owner must sign a legal contract, called the Buy-Sell Agreement. This is a formal document prepared by a lawyer, not an insurance agent, which obligates the surviving owners to buy the shares of the company from the heirs of the owner that passes away—essentially buying any heirs out of the business. Next, each owner pays for, and is the beneficiary of life insurance on the other owners' lives. Finally, upon the death of an owner, the surviving owner receives the life insurance death benefit payment, and uses that money to buy the shares of the business now belonging to the deceased's heirs.



Another way buy-sell agreements work is with an Entity Purchase Buy-Sell Agreement:

Again, first, the company and owners must sign a legally drafted Buy-Sell Agreement, which obligates the company to buy the shares of an owner upon death. Next, the company purchases, owns, and pays premium on a life insurance policy on each of the owners. The company is named beneficiary of that life insurance policy. Upon the death of an insured owner, the company receives the death benefit payment, pays the deceased's heirs and transfers the business interest back to the company.

The choice between a Cross-Purchase Agreement and an Equity Purchase Buy-Sell Agreement will depend on the specific situation of the company, as there are advantages and disadvantages of each approach. A lawyer can help determine which arrangement is best for each specific situation.



North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our Website at www.NorthAmericanCompany.com to find out more about our company.

You've worked hard to make your business a successful one. Help to make sure it continues to be successful by planning for the unexpected. Contact your North American representative today to learn more about this essential business solution.

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.

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