

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.



MEET FRANK AND STEVE

Frank and Steve had 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 Steve were to pass away? Steve's surviving spouse and family would inherit half the business.

Steve's wife doesn't want to run an auto-repair shop, and Frank doesn't want to be in business with Steve's wife. A plan is needed to protect the future of the business.

A SOLUTION

Frank and Steve 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. Frank takes out a term life insurance policy on Steve's life, and Steve takes out a policy on Frank's life. They each pay the premium on the policies, and name the owner of the policy the beneficiary of the death benefit.

Now, if Steve were to pass away, the life insurance death benefit proceeds would be paid to Frank. Under the buy-sell agreement, Frank would be obligated to use the cash to purchase the remaining business interest from Steve's wife. Because life insurance is designed to transfer funds efficiently and generally tax-free¹, Frank has the cash he needs without having to liquidate business assets or put his own personal property up for collateral. Frank and Steve found a competitive solution with North American's ADDvantage Term life insurance.

**Contact our Sales Development team at 800-800-3656
ext. 10411 or email salesupport@nacolah.com and
ask about ADDvantage Term 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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525 W Van Buren | Chicago IL 60607