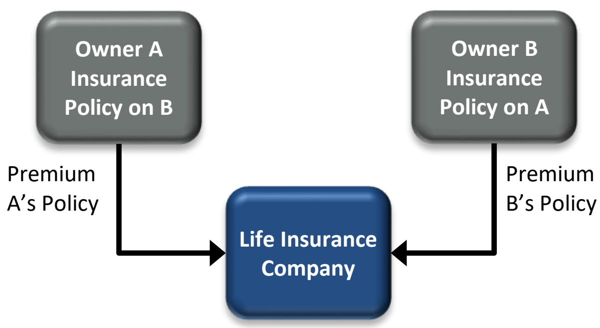
Capitas Financial: Funding A Buy-Sell Agreement With Life Insurance

Strategy: Using Life Insurance to Provide the Funds to Repurchase the Shares of the Deceased Partner or Shareholder

A buy sell agreement specifies what will happen to the interests of an owner, partner or shareholder who passes away or becomes disabled. If your company's buy sell agreement requires that the other owners or partners must purchase the deceased/disabled owner's interests, you can use life or disability insurance to fund the buy sell agreement rather than personal funds or business assets.

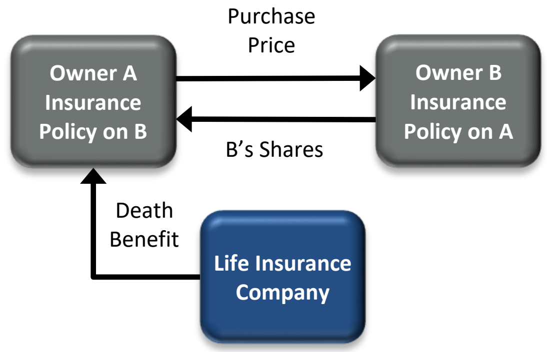
The Cross Purchase Agreement

While Living



*Example shown for illustrative purposes.

At Death of Owner B



A now owns 100% of the company.

Potential Advantages	Potential Disadvantages
• The purchasing business owner(s) may receive an increase in his or her cost basis in the business equal to the purchase price of the shares. • Creditors of the business may not have the ability to make claims against the cash value of the policies. * • The life insurance cash value increases and death benefit proceeds will not result in the corporate alternative minimum tax.	• Large number of policies for multiple owners. • Business owners will make the premium payments. Inequity in amounts could be resolved with cash bonus. • The cash value of policies owned on other business owners may be included in a decedent business owner's estate.

* Although creditor protection is one of the benefits of a life insurance policy, it is only available under specific circumstances and there are many exceptions. If creditor protection is important to you, be sure your policy meets all the conditions so that it is exempt from seizure by your creditors