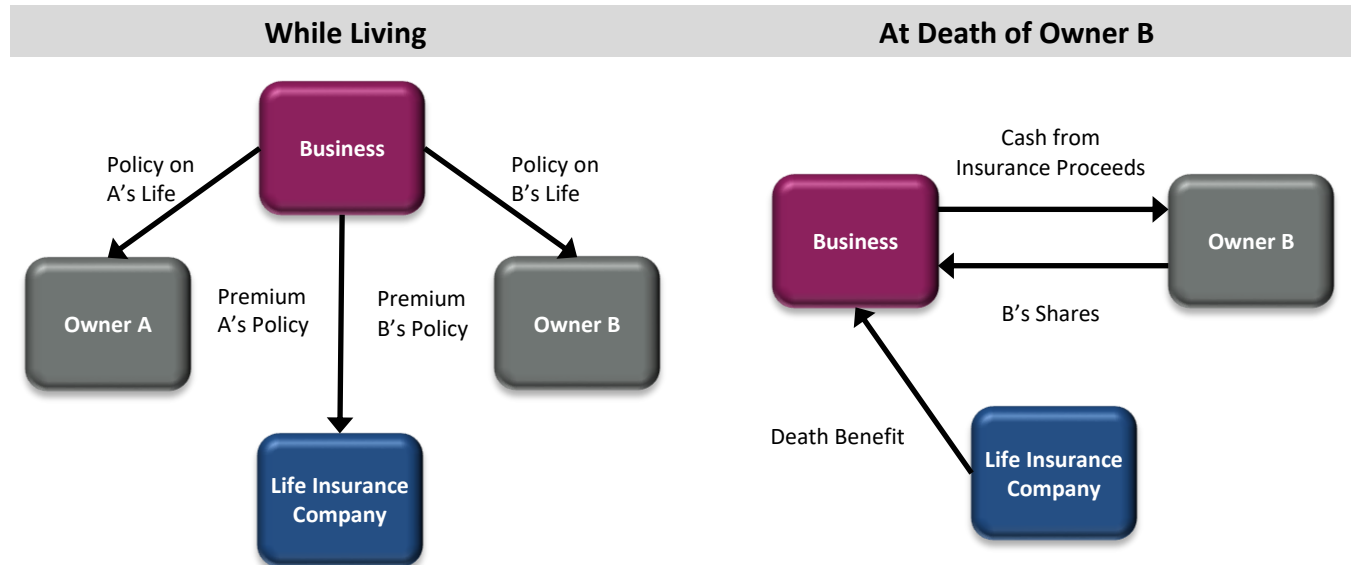


# Capitas Financial: Funding A Buy-Sell Agreement With Life Insurance

**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 Stock Redemption Agreement



\*Example shown for illustrative purposes.

Potential Advantages	Potential Disadvantages
<ul style="list-style-type: none"><li>• Simple design because only one policy is required per business owner.</li><li>• The business may carry the life insurance cash value on its books as an asset.</li><li>• The business may access any available policy cash value.</li></ul>	<ul style="list-style-type: none"><li>• No step-up in cost basis for the remaining business owners.</li><li>• Creditors of business may make claims against the life insurance policy cash value. *</li><li>• The life insurance premiums are not a deductible expense.</li><li>• Life insurance cash value increases and death benefit proceeds may result in corporate alternative minimum tax if the business is a C-Corporation.</li></ul>

\* 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

Capitas Financial, Inc. (Capitas) provides life insurance marketing support and case management services to Merrill. Capitas is not an affiliate of Bank of America Corporation. The information cannot be relied upon for the avoidance of taxes and or IRS penalties. This material is not intended to provide tax, accounting or legal advice. As with all matters of tax or legal planning your client should consult their tax or legal counsel before implementing any financial, tax, or estate planning strategy. This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any clients or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing a client's retirement savings. Clients seeking information regarding their particular investment needs should contact a financial professional.

Guarantees are based on the claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. They are not obligations of, nor backed by, the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Investing involves risk including possible loss of principal. Information is current as of the date of this material.

Any opinions expressed herein are from a third party and are given in good faith, are subject to change without notice, and are considered correct as of the stated date of their issue.

This material does not take into account a client's particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer or solicitation for the purchase or sale of any security or investment strategy.

Not a Deposit | Not FDIC Insured | Not Guaranteed by the Bank | May Lose Value | Not Insured by any Federal Government Agency | Not a Condition to Any Banking Service or Activity

