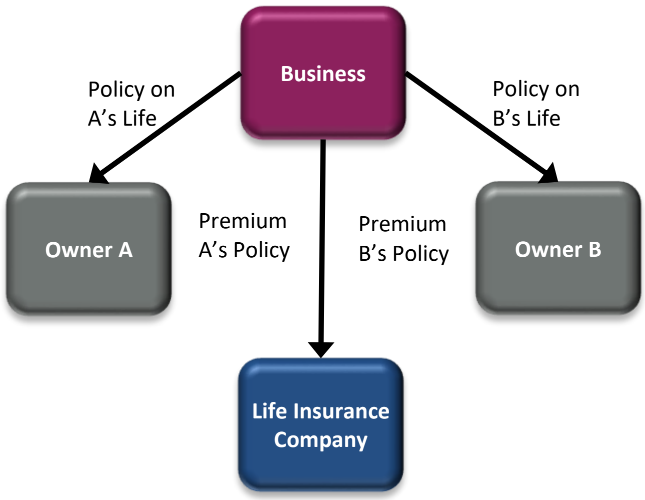
Capitas Financial: Funding A Buy-Sell Agreement With Life Insurance

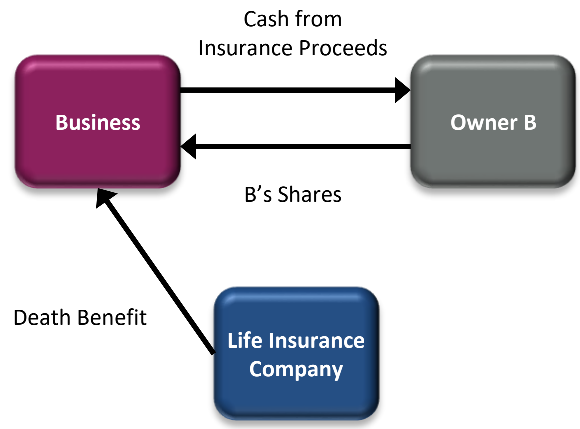
Strategy: Using Life Insurance to Provide The Funds To Repurchase The Shares of The Deceased Partner or Shareholder

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

While Living	At Death of Owner B





*Example shown for illustrative purposes.

Potential Advantages	Potential Disadvantages
• Simple design because only one policy is required per business owner. • The business may carry the life insurance cash value on its books as an asset. • The business may access any available policy cash value.	• No step-up in cost basis for the remaining business owners. • Creditors of business may make claims against the life insurance policy cash value. * • The life insurance premiums are not a deductible expense. • Life insurance cash value increases and death benefit proceeds may result in corporate alternative minimum tax if the business is a C-Corporation.

* 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