Individual Life Insurance
Business Succession

Insurance products issued by:
Minnesota Life Insurance Company
Securian Life Insurance Company

Cross purchase buy-sell

Preparing for the untimely loss of a business partner

Your challenge

If your business partner died tomorrow, you could be faced with a downturn of revenue, diminished marketability and a new business relationship with your partner's family.

A potential solution[1]

You may need a large amount of money in a short timeframe if your partner passes away. By funding a cross purchase buy-sell arrangement with a life insurance policy, you could have an instant asset at your disposal to help you buy out your partner's family.

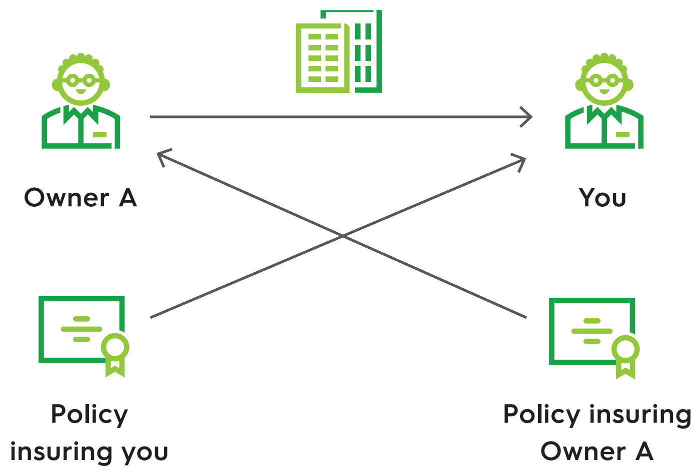
Because your business is your life

Why life insurance?

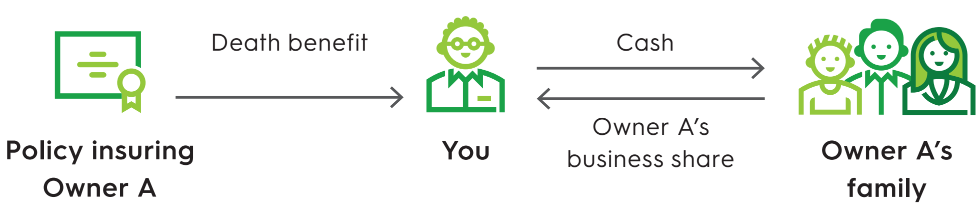
Permanent, cash value life insurance is a long-term financial tool that can provide an immediate source of funds with which to buy out your partner's survivors.

How does a cross purchase buy-sell arrangement work?

- You and your business partner(s) enter into a buy-sell agreement prepared by an attorney
- The agreement provides that on the death of one owner, the surviving owner(s) will buy the deceased owner's share of the business for cash
- Each business owner applies for and owns a life insurance policy on the other owner(s)



- If Owner A dies first, you receive the policy's income tax-free death benefit on Owner A
- You use the death benefit to buy Owner A's share of the business from the surviving family
- Owner A's family receives cash, and you retain the business and become the sole owner



Why use a cross purchase buy-sell?

Benefits

- Gives a basis increase for surviving owners
- Can reallocate the owners' interests at buyout
- Cash value and death benefit are safe from business creditors
- Works well for two or three business owners
- Allows business owners to own and control the life insurance policies funding the agreement
- Ensures the business is transferred according to the owners' wishes

Why not use a cross purchase buy-sell?

Considerations

- Difficult to use insurance proceeds for personal retirement
- Not safe from personal creditors
- Administration can be complex with more than two or three business owners
- Can be difficult to unwind at retirement
- Premium payments may not be equal among owners
- Health of owner could affect insurability
- Premiums are not deductible

1. The U.S. Supreme Court decided the Connelly case (Estate of Connelly v. US, 144 US 1406 (2024) which fundamentally affects all business owners who have or are considering a life insurance funded buy-sell arrangement. Arrangements commonly referred to as "entity purchases" or "stock redemptions" are most affected. The US Supreme Court unanimously held that the corporation's redemption obligation is not a liability that reduces the estate tax value of the decedent's shares and that the death proceeds received by the corporation must be included as part of the estate tax valuation of the business. It is critical to remember that when contemplating a buy/sell arrangement that stock redemptions or entity purchases funded with life insurance will produce higher date of death valuations than other types of arrangements.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

The policy design you choose may impact the tax status of your policy. If you pay too much premium, your policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable and if the taxpayer is under the age of 59½, may also be subject to an additional 10% penalty tax.

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Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Minnesota Life is not an authorized New York insurer and does not do insurance business in New York. Both companies are headquartered in St. Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

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