



Entity redemption buy-sell

Prepare for the unexpected loss of a business partner

Your challenge

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

A potential solution

You may need a large quantity of money in a short amount of time if your partner passes away. With an entity redemption buy-sell arrangement funded through life insurance policies, your company could have an instant asset at its disposal to help buy out your partner's family.

**Because your
business is
your life**

How does an entity redemption buy-sell arrangement work?

1. Multiple owners of a business enter into an agreement (prepared by an attorney) that, should any owner die, the company will purchase the shares from that owner's heirs.
2. The business purchases a life insurance policy on each owner, which will serve as the source of funds the business will use to redeem the deceased owner's shares. The business is the owner and beneficiary of all the policies.



3. When Owner A dies, the business receives the death benefit from A's policy income tax-free.¹
4. The business purchases the shares from that owner's heirs with the policy's death benefit, and retires them.



The subsequent decrease in the number of shares outstanding increases the value of the shares for the surviving owners. Owners B and C now each own 50 percent of the business, and Owner A's estate has cash from the sale of the business interest.

Why life insurance?

Permanent 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.

Why use an entity redemption buy-sell?

Benefits

- Works well with three or more owners of a business
- Requires only one policy per owner
- Total premium payments can be equalized among owners
- Not subject to personal creditors
- Allows business to own and control the life insurance policies funding the agreement
- Easier to administer policy transfer upon unwinding the business

Why not use an entity redemption buy-sell?

Considerations

- Does not increase basis for surviving owners of a C corporation
- Not safe from corporate creditors
- Owner retirement benefits are taxable if a cash value life insurance policy is used
- EOLI written notice and consent rules apply
- Health of owners could affect insurability
- Premiums are not income tax-deductible by the business

**At Securian Financial,
we're here for family.
And we're here
because of it.**

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Those who believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.



Learn more

To learn how you can implement an entity redemption buy-sell arrangement to help ensure business continuity, contact your financial professional today.

1. The life insurance death benefit is income tax-free to the business if the business, at the time of purchase, had met the requirements of Internal Revenue Code Section 101(j). This includes providing the insured with advance notice, obtaining the insured's prior consent to be insured and meeting insured's executive income requirements. Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first fifteen years of the contract. You should consult your tax advisor when considering taking a policy loan or withdrawal.

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.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer.

It is not intended for, nor can it be used by, any taxpayer for the purpose of voiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

This is a general communication for informational and educational purposes. The information is not designed, or intended, to be applicable to any person's individual circumstances. It should not be considered investment advice, nor does it constitute a recommendation that anyone engage in (or refrain from) a particular course of action. If you are seeking investment advice or recommendations, please contact your financial professional.

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.

Securian Financial is the marketing name for Securian Financial Group, Inc., and its subsidiaries. Minnesota Life Insurance Company and Securian Life Insurance Company are subsidiaries of Securian Financial Group, Inc.



INSURANCE
INVESTMENTS
RETIREMENT

[securian.com](https://www.securian.com)

400 Robert Street North, St. Paul, MN 55101-2098
©2022 Securian Financial Group, Inc. All rights reserved.

F71834-44 Rev 4-2022 DOFU 4-2022
2112038