Business Planning
SALES KIT

In this kit:

Conversation starters | Prospecting letter | Interview guide | Sales ideas

PINNEY INSURANCE

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Lincoln Financial Group®
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Conversation starters

How to approach your small business owner clients

Owners need solutions to help them attract, reward, and recruit top talent; protect their business investment; and establish a succession plan. Open a discussion with an owner by asking questions about these essential business needs and how they relate to their business.

What should business owners be concerned about?

Retaining, rewarding, recruiting	Key person protection	Efficiently transitioning their business
• A plan to attract and retain top talent • Rewards for exceptional performance • Supplemental retirement plans for owners and selected employees • Cost-efficient employee incentives	• Protection from the financial impact of your death and/or the death of an essential employee	• Protection in the event of the death of a partner or co-shareholder • A plan for the orderly transition of ownership and management of your business • A strategy to obtain a fair price for your business when you want to sell it

Start the conversation questions to ask

	1 Open up the discussion with these questions	2 Show how the issue could impact the business	3 Respond by telling the owner you can help them plan	4 Review these planning solutions with the owner
Retain, reward, recruit	Are you concerned about losing key employees to competitors? Are you looking for key talent and not able to hire qualified applicants?	• Losing key executives costs money and could hurt employee morale and customer relations. • Competitors may be better positioned to retain, reward, and recruit from the same talent pool.	• **Key person coverage** - See page 3 in the Lincoln Business Life Insurance Solutions Guide (order code: LIF-BI-BRC001)	See the Lincoln Business Life Insurance Solutions Guide (order code: LIF-BI-BRC001) for • An **Executive Bonus strategy** - See page 4 • A **Supplemental Executive Retirement Plan (SERP)** - see page 5 • A **Loan Regime Split Dollar plan** - See page 6
Protect	How many employees contribute significantly to your profits? What is your estimate of the costs of hiring and training a replacement for you, a co-owner, or a key employee?	• The death or disability of a key employee could lead to business disruption, loss of profits, and the financial burden of recruiting and training a suitable replacement.	• To create a source of income to replace lost capital due to a key employee's death • To provide funds for recruitment and training efforts to replace their key employee • To have access to cash to help settle any loans due, or other expenses or bills incurred as the company transitions	See the Lincoln Business Life Insurance Solutions Guide (order code: LIF-BI-BRC001) for • **Key person coverage** - See page 3
Transition	What are your plans for retirement? What would happen to your company, your employees, or your customers if you or a co-owner should die? Who would take the reins?	• Without proper planning, you may not have funding needed when you eventually decide to retire or sell your business interest. • If something would happen to an owner, imagine their spouse or heir inheriting their share of the business. This person may not be an ideal co-owner.	• To provide funds to help transfer their business interest • To ensure that a shareholder's portion of the business does not transfer to an unsuitable owner • To facilitate continuity for clients, employees and creditors	See the Lincoln Business Life Insurance Solutions Guide (Order code: LIF-BI-BRC001) • A **Buy-Sell Agreement** - See page 7

2614562

Ask your representative how Lincoln business solutions can help you and your clients.

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[DATE]

Addressee’s name
Addressee’s title
Addressee’s company name
Street address
City, state and zip code

RE: [Subject matter]

Dear [plan sponsor name],

As a business owner, I know you have priorities. I’m certain that achieving your business goals and looking out for your employees’ best interests are at the top of your list. One way to help check these items off is by providing benefits at work—giving employees the opportunity to participate in a retirement plan can make a big impact.

From your employees’ perspective, a retirement plan can help them reach personal savings and estate planning goals. Employees who feel more financially secure tend to spend less time focused on financial concerns at work—meaning, your plan could help encourage productivity among your workforce.

For the business, you can receive tax deductions on matched contributions to your plan and potentially reduce employee taxable income via pretax contributions. Benefits are also tied to job satisfaction, so a retirement plan can be a powerful tool for retaining the quality people you have on board and bringing new talent into the fold. The more employees who enroll, the lower your potential costs overall.

[Call to action option 1]
Nothing is more important than feeling confident in the choices you make for your company and your employees. If the potential benefits of a retirement offering sound like a good fit for your business, now would be great time to give me a call—we can talk in more detail about how a plan can help you meet your goals.

[Call to action option 2]
I’ll call in a few days to arrange a convenient time to talk in more detail about how a retirement plan can help you meet your goals. If you prefer to meet sooner, please call me at [PHONE NUMBER]. I look forward to meeting you.

Best wishes,

[Signature]

[Name]
[Title]
[Phone]
[Email]
[Registered Representative designation information]

ADVANCED PLANNING

Fact Finder

Confidential Business Fact Finder

1 GENERAL INFORMATION *(If you have multiple businesses, complete a Fact Finder for each business.)*

Company Name: ______________________________

Address: ______________________________

Contact Person: ______________________________ Phone: ______________________________

Fax: ______________________________ Email: ______________________________

Principal Business Activity: ______________________________ Years in Business: __________

Accountant/Attorney: ______________________________

2 BUSINESS TYPE

☐ **C Corporation** **Corporation Tax Bracket** ______________________________

☐ Public Corporation

☐ Private Corporation

☐ Personal Service Corporation ☐ Sole Shareholder Corporation ☐ Family Members as Owners

Is there a possibility this entity will go public? ☐ Yes ☐ No

If Yes, how soon? ______________________________

☐ **Pass-Through Entity for Tax Purposes**

☐ Partnership: Is it organized as a ☐ General Partnership? ☐ Limited Partnership?

☐ LLC: Is the LLC a single member? ☐ Yes ☐ No

Is the LLC taxed as a partnership ? ☐ Yes ☐ No

☐ S Corporation: Was it always an S Corporation? ☐ Yes ☐ No

☐ **Sole Proprietorship**

☐ **Tax-Exempt Entity (Nonprofit)**

3 BUSINESS VALUE

1. Owner's estimate of Fair Market Value (FMV) of the business if sold today as a going concern.

____

2. Has a formal business valuation ever been completed? ☐ Yes ☐ No. If so, when?

____

3. Will the business have significant value whether or not you are involved in the business? ☐ Yes ☐ No. Please explain.

____

____

____

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Prudential

4 BUSINESS OWNERS

Owner %	Owned & Type of Interest(s)	Family Relationship (if any)	Date of Birth/ Health	Salary	Annual Dividend/ Distribution	Personal Tax Bracket %

1. What do the owners want to have happen to the business at retirement, disability, or death?
   ☐ Retain ☐ Sell as a going concern ☐ Liquidate

   ____
   ____
   ____

2. What steps have been taken to accomplish this objective?

   ____
   ____
   ____

   Complete Business Continuation Fact Finder (1000798) if more detailed continuation planning is needed

3. Do you plan to retire? If so, have you worked out a retirement strategy? How much income will you need? When will it start? Sources? Please explain.

   ____
   ____
   ____

4. Do you need cash flow from the business to support your retirement? Please explain.

   ____
   ____
   ____

5. Are there benefits currently being provided to you and/or your family that you would like continued during your retirement? Please explain.

   ____
   ____
   ____

6. If you are not able to be involved in the business, will your family's/spouse's financial security be tied to the business? How will they get income from the business? How much will they need? Please explain.

   ____
   ____
   ____

5 KEY EMPLOYEES

Key Employee's Name	Date of Birth	Position in Business	Annual Income	Combined Federal & State Income Tax Bracket	Health	Owner? Yes/No

1. Is there a logical successor manager in the business? Please explain:

____

____

____

2. Have any extra fringe benefits been provided to the key employees as an incentive for them to stay with the business? Please explain:

____

____

____

3. Have provisions been made to offset the loss of business caused by the death or disability of any key employee? Please explain:

____

____

____

6 CURRENT EMPLOYEE BENEFITS/BUSINESS STRATEGY

Check the boxes indicating which benefits are in place and which you are interested in discussing further. If interested in discussing employee benefits further, complete the census on the next page.

Benefit or Plan	Have	Don't Have	Interested in Discussing
Group Insurance			
Medical		☐	☐
Dental		☐	☐
Life		☐	☐
Long-Term Disability		☐	☐
Long-Term Care		☐	☐
Business Arrangements			
Key Person Arrangement		☐	☐
Buy-Sell Arrangement		☐	☐
Qualified Retirement Plan			
IRA		☐	☐
SIMPLE IRA		☐	☐
SEP IRA		☐	☐
SIMPLE 401(k)		☐	☐
401(k)		☐	☐
Executive Benefits/Nonqualified Plans			
Executive Bonus		☐	☐
Restricted Executive Bonus		☐	☐
Split Dollar		☐	☐
Nonqualified Deferred Comp		☐	☐
Other. Describe:			

Continued on next page.

Employee Census Data for: ____

(Company Name)

Name	Date of Birth/Age	Gender M or F	Smoker Y or N	Hire Date	Good Health Y or N	Gross Income	Full-time Y or N	Married Y or N	Spouse Age

Has there been a budget established for a new benefit program? ☐ Yes ☐ No

How much are you willing to spend?

____

____

____

7 BUSINESS CONCERNS

Rank the following concerns from 1 (very low) to 10 (very high)

_____ **Transfer** — I see the need for an orderly transfer of this business at retirement, death, or a disability, and I am willing to take steps to help this transition.

_____ **Personal Benefits** — I am interested in using business dollars to finance some of my financial/insurance needs.

_____ **Employee Benefits** — I am interested in using business dollars to provide benefits to myself or selected employees as a means of recruiting, retaining, and rewarding.

_____ **Taxes** — I am concerned that my business receives all the tax relief to which it is legally entitled and which is suitable and logical.

_____ **Growth** — I can't afford to decrease my cash flow or business surplus because this business is in an expansion phase.

8 NOTES

____

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Marketing to Business Owners

Interview Guide

Transamerica®

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Business-Owner Interview Guide

Business-owner clients have specific financial goals, but what's the best way to get the information you need to offer them strategies to meet these goals? This Interview Guide is an easy and efficient way to gather and analyze crucial information that will help you uncover those goals. Once you have this information, you can offer the appropriate life insurance strategies that may ensure the financial health of the business.

Opening: Tell the client that you would like to get to know more about his or her business to determine how you can best support the unique financial challenges and considerations that come with running a business. The more you learn about the goals and personal feelings regarding his or her business, the more customized strategies you can offer.

Start by learning about the general business background:

Business Owner(s)	Age	Ownership Percentage	Income	Family Relation

Business Name ____________________

Business Function/Services ____________________

Number of employees (full time/part time): ________ Number of years in operation: ________

Annual gross sales: $ ____________________

Business Type:

☐ Sole Proprietor ☐ General Partnership ☐ Limited Partnership

☐ C Corporation ☐ S Corporation ☐ LLC ☐ Professional Corporation

Throughout the interview, you will learn about the client's business. You may also uncover some financial challenges. You can help clients and their professional advisors determine the appropriate strategies.

Business-Related Questions:

1. Tell me about your business.

2. Is your business family-owned?

3. Who will run the business when you die or retire? Family, partner, employees, or a third party?

4. Do you want to make sure your co-owner or a family member has enough cash to carry out a succession plan?

5. Do you plan to transfer ownership of your business during your lifetime?

6. Does your business strongly depend on one or two "key" people? If so, what would happen to your business if that person(s) were gone? Are you insured against that loss?

Family-Related Questions:

1. Are you married? Have there been any previous marriages?

2. What would happen to your family if your business failed after you died?

Retirement-Related Questions:

1. When do you plan to retire?
2. Do you currently have a retirement plan set up?
3. Would you like to supplement your current retirement savings?
4. Would you like to make tax-deductible contributions to a plan with guaranteed retirement benefits?
5. Are you looking for a retirement plan that will work with your cash flow?
6. Do you need to take distributions from your retirement plan at this point?

Family-Related Question:

1. Will you need the money in your retirement savings or would you like to pass it on to your loved ones?

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Business Planning

SALES KIT

Click here to view an interactive Lincoln whitepaper on planning strategies for business owners:

- Succession planning & buy-sell agreements
- Key employee coverage
- Life insurance as an executive benefit
- Planning resources
- Tax considerations

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Lincoln *LifeComp*® Cross-Purchase Endorsement Split Dollar Plan

Combining buy-sell funding with a business owner benefit

Protecting the business and business owner's families

Funding buy-sell agreements is a crucial part of business succession planning. With a proper buy-sell plan, you can help ensure business continuity and meet financial goals for retirement.

Lincoln Business Insurance Solutions (BIS) *LifeComp* Cross-Purchase Endorsement Split Dollar plans provide valuable life insurance benefits to business owners through buy-sell funding and personal planning.

In a cross-purchase endorsement split dollar life insurance arrangement, the business owner will purchase a policy with a portion of the death benefit payable to the business owner's partners, while minimizing tax consequences to the business owner.

1. It works for the business.

- Provides funding for business succession
- Reduces the number of policies needed to fund a cross-purchase buy-sell arrangement
- Delivers a cost-effective, tax-efficient way to accomplish business goals
- Provides a plan that is easy to implement and administer

2. It works for business owners.

- Personally-owned policy funded based on personal mortality risk
- Pays income tax-free death benefit to beneficiaries
- Provides a cost-effective way to obtain survivor benefits and a possible source of supplemental retirement income
- No need to transfer the policy after the business purchase agreement is terminated

3. It offers plan design options to fit clients' needs.

- Meet business and personal objectives with one policy
- Gives business owner full policy ownership of on their life policy, entitled to 100% of the cash value during their lifetime
- Offers flexibility for a short-term or long-term need

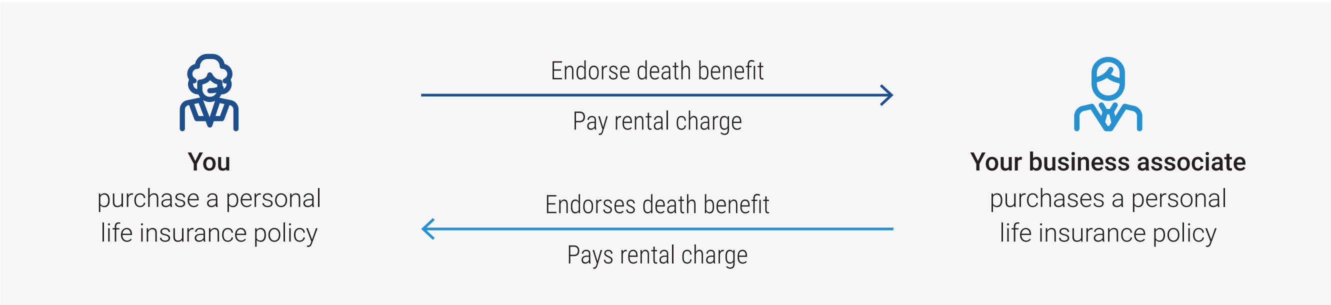
4. It streamlines plan administration and reporting.

Simplified, transparent plan management makes a difference.

- Accounting reports keep track of endorsements and report benefit costs
- Year-end reports show precise balances for the company's fiscal or calendar tax year
- Optional post-retirement services help retired business owners monitor their withdrawals and loans

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

How the strategy works



- **You and your associates enter into a buy-sell agreement.** If you are a sole owner, then you would enter into a unilateral, or one-way, buy-sell agreement.
- **You purchase a Lincoln life insurance policy on your own life** to help provide funding for the business buy-sell obligation created by the business purchase agreement. Your associates do the same.
- **You each agree to endorse a specific death benefit amount to one another** to help satisfy the buy-sell obligations of the business purchase agreement. Think of the endorsement as renting the death benefit to your business associate(s).
- **The rental charge is payable to the owner of the policy** and is calculated using either government provided rates or Lincoln's annual renewable term rates, which are typically low in cost and increase each year based on the insured's age.
- **If you die, the death benefit you have endorsed to your associates will be paid to them, generally income tax-free**, and they will use those proceeds to buy your business interest from your family or estate. Your personal beneficiary will receive any non-endorsed death benefit proceeds, which are never less than the greater of your premiums paid or your cash surrender value.
- **If you leave the business and the business purchase agreement is terminated**, you can terminate the endorsement and use the policy for your own needs.

Work with your financial professional to learn how the *LifeComp*® Split Dollar plan can benefit your business.

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May go down in value

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***LifeComp*® Cross-Purchase Endorsement Split Dollar plan is offered only by specially trained representatives of Lincoln.**

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KEY PERSON COVERAGE

Business Planning

Strategy Summary

Small business owners put maximum effort into establishing and running their business, but are they taking the right steps to make sure the business can survive the unexpected death of a key employee? The sudden departure of a key employee could be catastrophic to a company—not because the owner did anything wrong, but because they did not do enough.

Impact of Losing a Key Person

When thinking about the continued success of a company, who would be considered a key person? Is it the employee the owner relies on when they are not in the office? The employee who works best with customers? Or the employee who finds creative ways to finance the business?

Loss of a key employee could have devastating effects on a business, including:

- Loss of sales due to a lack of manpower or the disappearance of personal relationships
- Disruption of production or operations
- Significant costs to search for and train a replacement for the key person
- Loss of competitive position or goodwill in the marketplace

Safeguarding Your Client's Business

A life insurance policy, owned and paid for by the business, on the key person's life can help safeguard your client's business by providing the needed funds to help in the transition after the loss of a key person.[1]

At the death of the insured, the business can use the federal income tax-free death benefit to find and train a successor and to replace the revenue lost by the untimely death of a key person. With key person coverage in place, the company and its owners will benefit from:

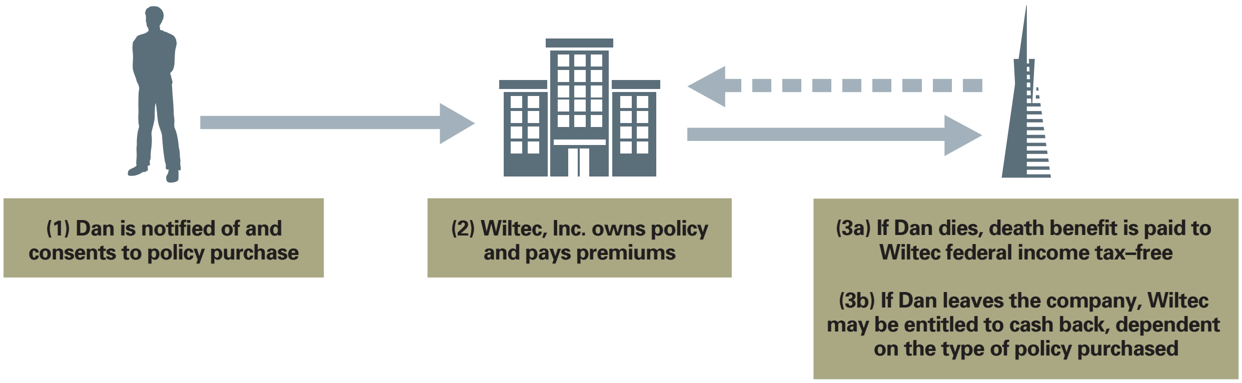
- Cash reserves available to look for, hire, and train a replacement employee
- Liquidity to cover loss in revenue during the period before a replacement is hired and able to work at the same level of productivity
- Flexibility to change the policy to a form of nonqualified deferred compensation if needs change over time
- Tax-deferred growth of the policy's cash value and access to the cash value accumulation in the event of financial need, if a cash value policy is purchased

A policy purchased for a key person need can provide additional benefit as a retention tool. Split dollar arrangements are often set up with this as a key objective, granting a portion of the coverage for the employee to designate beneficiaries.

Transfer of the policy to the employee may be subject to rules on non-qualified deferred compensation. The employer should consult with their legal and tax counsel for guidance on individual specifics.

[1] For a C corporation, all or a portion of the life insurance proceeds and the annual increase in cash value may be subject to the corporate alternative minimum tax. Moreover, certain situations may result in an exception to the general rule that life insurance proceeds are federal income tax-free under IRC § 101(a), including policies transferred for valuable consideration, or corporate- or employer-owned policies that do not fall within the IRC § 101(j) exception.

Case in Point: Wiltec, Inc.



Mike, Ron and Carol are owners of Wiltec, Inc., a computer software company that specializes in the design of animation graphics for the movie industry. The corporation has been in existence for three years and is valued at $4 million.

Dan is an employee of Wiltec who specializes in advanced graphic design. Dan's expertise gives the company the ability to successfully bid on and win the larger more profitable movie projects. Dan is a highly paid key employee and is provided with a generous benefits package. The owners of Wiltec realize that substantial profits originate from Dan's expertise, and that his premature death would cause financial loss to the firm.

The owners of Wiltec establish a key person coverage plan funded with life insurance, which provides Wiltec with a number of advantages:

- Protection from economic loss caused by Dan's death.
- Funds to recruit and train Dan's replacement.
- Access to the life insurance cash value for a variety of business needs, such as collateral for a loan or funding of salary continuation plans.*
- The life insurance proceeds are generally federal income tax–free.

* Loans, withdrawals and death benefit accelerations will reduce the policy value and death benefit. Provided the policy is not and does not become a modified endowment contract (MEC), 1) withdrawals are tax-free to the extent that they do not exceed the policy basis (generally, premiums paid less withdrawals and 2) policy loans are tax free as long as the policy remains in force. If the policy is surrendered or lapses, the amount of the policy loan will be considered a distribution from the policy and will be taxable to the extent that the loan and other distributions on lapse or surrender exceed the policy basis.

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TRANSAMERICA®

The Winning Play for Small Businesses

SELL MORE BY OFFERING BENEFITS FOR EMPLOYERS AND EMPLOYEES

TRANSNAVIGATOR℠ INDEX UNIVERSAL LIFE

More than half of an employer's top performers will leave their current company within the next three years.[1]

Companies are struggling to retain key employees, and small businesses may find it more important than ever to provide incentives for their workers. TransNavigator℠ Index Universal Life insurance from Transamerica Life Insurance Company can create employee retention possibilities with time-triggered advantages and additional benefits for an employee to stay with a company.

A POLICY FOR THE SPOUSE

Purchasing a policy on a key employee or the employee's spouse is a retention strategy that benefits everyone involved: the employer retains the employee and enjoys tax advantages[2], the client and spouse get valuable coverage and the potential to build tax-deferred policy value, and you provide a higher-value service while selling additional life insurance policies to the same client.

THE SMALL BUSINESS TRIPLE PLAY

Transamerica's Small Business Triple Play provides a way to keep employees in an organization by offering a win/win/win scenario: benefits for the employer, the employee, and the employee's spouse.

The Solution

An employer can tighten the tether between them and their employee with a simple solution: purchasing two TransNavigator℠ index universal life insurance policies—one for the employee, and one for the employee's spouse. Consider the example of Ellen, and her husband Clark, both age 40. Ellen is a valuable employee at Graphix, LLC, and the company would like to reduce the chances of Ellen leaving for greener pastures. Graphix, LLC, purchases TransNavigator policies for both Ellen and Clark:

Benefits for the Employer:

- Can offer a unique benefit to key employees
- May receive a tax deduction for the premium paid[2]
- Helps keep talent in-house

Benefits for the Employee and Spouse:

Income Replacement:

If Ellen or Clark pass away, their policy death benefit can be paid as a monthly guaranteed income stream for up to 25 years with our Income Protection Option (IPO), available at no additional premium cost.

Cash Value Accumulation Potential:

Once Ellen and Clark have accumulated sufficient cash value, they will be able to access it through loans and/or withdrawals for an additional source of funds to help supplement their income or for other needs.[2]

Long Term Care (LTC) Coverage:

TransNavigator offers an available LTC Rider that can provide up to $1M to help cover LTC expenses should Ellen or Clark experience a qualifying chronic illness.

THINK WIN/WIN/WIN

Our unique product features allow small business owners to provide a differentiated benefit, receive a meaningful tax deduction, and reduce the high costs associated with employee turnover.

PRODUCER ADVANTAGES

This strategy provides a great way for you and the client to get the most out of each sale, while creating new opportunities with markets you may not currently be serving.

Contact your agency or Transamerica to learn more about how you can put this strategy to work for clients today.

[1]http://millennialbranding.com/2013/cost-millennial-retention-study/

[2]The premium payment for life insurance on the spouse will be treated as employee compensation, so the total of all premium payments and other compensation must stay under the section 162 limits to maintain the income tax deduction for the employer. TransNavigator is a non-participating flexible-premium universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Form No. ICC12 UL07 or UL07 (CVAT), Long Term Care Rider Form No. ICC12 LTCR02 or LTCR02. Policy and rider form and number may vary, and this policy and rider may not be available in all jurisdictions. Insurance eligibility and premiums are subject to underwriting.

Loans, withdrawals and death benefit accelerations will reduce the policy value and death benefit. Provided the policy is not and does not become a modified endowment contract (MEC), 1) withdrawals are tax-free to the extent that they do not exceed the policy basis (generally, premiums paid less withdrawals and 2) policy loans are tax free as long as the policy remains in force. If the policy is surrendered or lapses, the amount of the policy loan will be considered a distribution from the policy and will be taxable to the extent that the loan and other distributions on lapse or surrender exceed the policy basis.

TransNavigator℠ is a flexible-premium index universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Form No. ICC14 IUL08 REV or IUL08 REV, Long Term Care Rider Form No. ICC12 LTCR03 or LTCR03. Policy and rider form and number may vary and this policy and rider may not be available in all jurisdictions.

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Help businesses reward their valuable employees

An executive bonus strategy to help businesses retain top talent

Business owners understand that one of their most valuable assets is the creative talent of their key employees. Their competitors also understand this and compete for the very same talent.

One way of managing this challenge is to offer an attractive compensation package. But salary alone may not be enough. An executive bonus plan (also known as a Section 162 bonus plan) may provide a simple strategy to help businesses attract and retain key employees.

Meet Phil

Owner of Packaging in Action, a closely held family business

Phil has been in business for more than 25 years. He's got a top-notch plant manager, Greg, age 45. Phil wants to reward Greg with a benefit that will encourage him to stay at Packaging in Action for the rest of his career.

Phil's challenge

He wants a benefit that may provide Greg with:

- A significant future retirement benefit
- An attractive benefit for today

And provide Packaging in Action with:

- A simple way for the business to reward and retain employees
- A tax reduction for the business
- Ease of implementation and administration

Insurance products issued by:
The Lincoln National Life Insurance Company

How an executive bonus plan works

The business

Pays a tax-deductible bonus to cover premiums for a life insurance policy owned directly by your employee

The employee

Designates a policy beneficiary and pays income tax on the bonus received

Advantages for your business

- Discretion to select which employees can participate
- A plan that's easy to implement and maintain
- An immediate tax deduction for the annual bonus paid[1]

Advantages for your employee

- Policy ownership and control of cash value and beneficiary designation
- Cash value that grows tax-deferred
- A tax-efficient income supplement through policy loans and withdrawals[2]
- A legacy asset that transfers to their beneficiary income tax-free

A strategy with flexibility

To help ensure that Packaging in Action keeps key talent like Greg, Phil's financial professional recommends an executive bonus plan using life insurance. The strategy gives Phil's corporation a cost-efficient way to provide Greg an attractive benefit package with added advantages. Packaging in Action agrees to pay a tax-deductible bonus in the amount of $10,000 annually for a life insurance premium where Greg will be both the insured and policyowner.[1]

An accumulation indexed universal life (IUL) policy is purchased on Greg's life. Greg names his wife, Karen, as the policy beneficiary. In addition to valuable death benefit protection, an accumulation IUL can offer growth and cash value distribution potential, which can supplement Greg's retirement income.[2] If available, Greg can get added protection by choosing an accelerated benefit rider as a source of supplemental funds if he develops a permanent chronic or terminal illness.[3]

The advantages for Greg

- Knowing that his loved ones can be financially secure.
- Indexed accounts tied to stock market performance (excluding dividends) — providing access to market opportunity and varying levels of protection to meet client needs and preferences.
- Accessing the policy's cash value as a financial resource.[2] When properly designed, there are no required distributions at age 70½ and no early withdrawal penalties before age 59½.
- The opportunity for added coverage from unexpected health expenses.[3]
- Obtaining life insurance coverage with no out-of-pocket expense other than the cost of the taxes paid on the bonuses he received.

Total out-of-pocket expense over 20 years to pay taxes on his bonus	–$64,000*
Cumulative policy loans taken income tax-free to supplement Greg's retirement from ages 66 to 85	+$484,280
Greg's death benefit at age 85	+$121,708
Net benefit to Greg at age 85	**$541,988**

* Greg's assumed tax rate is 32%. Packaging in Action assumed tax rate is 21%.

The hypothetical example assumes a male, age 45, standard nontobacco, *Lincoln WealthAccumulate*® 2 IUL, solve for a minimum non-MEC death benefit with a $10,000 annual premium paid for 20 years, increasing by cash value death benefit option for 20 years then switch to a level death benefit option, solve for maximum annualized participating loans from ages 66 through 85 with $1 at maturity. 100% premium allocation to Fidelity AIM® Dividend Indexed Account, 5.92% assumed index crediting. **At 0% guaranteed interest crediting and maximum annualized policy loans beginning at age 66, policy lapses at age 71.**

The advantages for Phil's business

- A strategy to retain a valuable key employee
- A plan that is easy to establish and administer, with no IRS approval needed
- The freedom to choose which employees to reward, and the business will have a current tax reduction for the bonus paid[1]
- A flexible and cost-effective plan

Bonus paid per year	$10,000
Current tax reduction for bonus paid per year[1,4]	$2,100
Total bonus paid to Greg to age 65	$200,000
Total tax reductions for bonuses paid[1]	–$42,000
Total after-tax cost of the benefit[1]	**$158,000**

Strengthen and protect the future of your business

Ask your financial professional how Lincoln Business Insurance Solutions can help you succeed.

[1] The deductibility of the bonus is subject to the reasonable compensation limits established by Internal Revenue Code Section 162(a).

[2] Distributions are through loans and withdrawals, which will reduce a policy's cash value and death benefit. Loans are not considered income and are not taxable while withdrawals are tax-free up to the policy's cost basis, provided the policy is not a MEC.

[3] Subject to certain requirements and availability. Accelerated death benefits may be taxable and may affect public assistance eligibility. Other account values are reduced proportionately with each acceleration payment. Only one accelerated death benefit is allowed per policy.

[4] Assuming a 21% C-corp tax bracket.

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It is possible coverage will expire when either no premiums are paid following the initial premium, or subsequent premiums are insufficient to continue coverage.

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Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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POD 12/20 **Z12**
Order code: UL-BIZ-FLI001

Lincoln Financial Group®

Business Succession Planning

Over 99.7% of all U.S. employer firms are small businesses. That translates to over 28 million small businesses in the U.S., many of which are lacking proper planning.[1]

Market Opportunity

- One in three family-owned businesses don't have a business succession plan in place.[2]
- Nearly seventy percent of family businesses fail or are sold before the second generation takes over.[3]
- Only 10% of family businesses remain active, privately held companies by the third generation.[3]

Consequences of Not Having a Plan

Not having a business succession plan in place can lead to:

- Failure or liquidation of the business in the event of death or sudden incapacity of the business owner, partner or key employee
- Unqualified and inexperienced heirs running the business
- Loss of income stream to remaining family members
- Unwanted litigation expenses due to disagreements among heirs and family members

Key Benefits of Having a Plan

- Immediate implementation is available to avoid negative impact to the business
- Agreed value of the business is maximized
- Appropriate not just at death but also with life-event changes, such as disability and retirement
- Business sale proceeds can provide an income stream for loved ones

Four Reasons to Consider Life Insurance

- Provides liquidity
- Helps to ensure continuity of the business
- Equalizes the estate for loved ones
- Provides flexibility with the use of cash values as a possible source of funds

Ideal Client

- Co-principal in a closely held company
- Self-employed business owner
- Sole proprietor with a key employee

Transamerica Products

- Trendsetter® Series
- TransNavigator℠ IUL

Available Materials/Tools

Producer

- Marketing to Business Owners – Interview Guide (OLA 1386)
- C Corp Guide (OLA 1914)
- S Corp Guide (OLA 1542)
- Buy-Sell Agreements Comparison for C Corporations Producer Flyer (OLA 1079)

Consumer

- Business Succession Planning for the Small Business Owner (OLA 1971)
- Key Person Coverage and Buy-Sell Agreements Highlights and Fact Finder (OLA 1078)

Business Valuation

Strategic alliance with SPARDATA (www.SPARDATA.com)

Tools

- Advanced Marketing Online (AMO)
- Sample documents

Other Benefits to Consider

- Trendsetter® Super Series term portfolio offers older max issue ages which makes term insurance a good option for an older co-principal or key person
- Transamerica offers tax-advantaged cash value accumulation potential with TransNavigator index universal life*
- Business Succession planning can:
  - Drive larger cases for IUL and Term Sales
  - Uncover cross-selling opportunities for other business planning needs

* For a C corporation, the life insurance death benefit and annual increases in policy cash value may be subject to the corporate alternative minimum income tax.

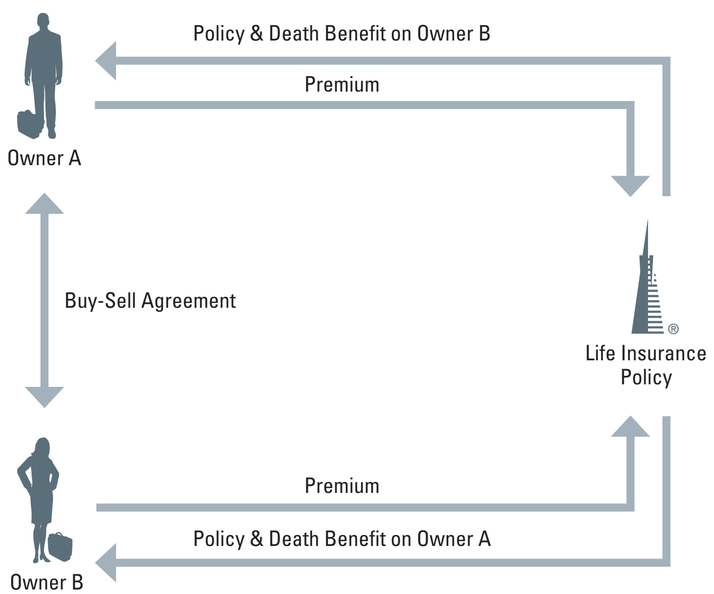
[1] https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

[2] Source: LIMRA, "Executive Benefits Arena: A Challenging Environment," 10/11/2012

[3] Source: Harvard Business Review, "Avoid the Traps That Can Destroy Family Businesses," January - February 2012

Cross-Purchase

- Simple strategy for a company with two owners.
- Business owners put an agreement in place with each other to purchase life insurance on each other's lives.
- Each business owner purchases life and/or disability buyout insurance on the other business owner(s), and is the beneficiary of the owned policies.
- Upon the death or exit of one owner, the remaining business owner(s) can use the policy proceeds or cash value accumulation to purchase their pro rata shares of the exiting owner's interest.
- Assures step-up in basis for the remaining owner(s).



Cross Purchase with TransNavigator

Facts:

- Marty, age 57, and Marcy, age 62; brother and sister, both married
- Equal co-owners of an S corporation, inherited from father
- Business valued at $4.0 million by a certified appraiser

Goals and Objectives:

- Neither wants to co-own business with sibling's spouse or heirs
- Owners likely to transition business in next 10 years
- Need funding to pay for sale of business interest
- No current plans to retire, but would like plan in place to cover death, divorce, incapacity, etc
- After departure of one owner, remaining owner likely to sell business to third party

Action Taken:

- Marty and Marcy implement a cross-purchase agreement and purchase life insurance on each other.
- At the death of Marty or Marcy, the death benefit provides the survivor with the liquidity to purchase the business from the surviving spouse.
- If they sell the business and no longer need the cross-purchase agreement, they can transfer the policies back to each other (the insureds), and thereby avoid the transfer-for-value rule. The policies could be repositioned for estate planning or for retirement purposes.
- With TransNavigator, the cash value accumulation in the policy could be used to fund or partially fund a living buyout of a business interest.

Business Planning Product Spotlight

Start with access to cash values

Life insurance, such as a TransNavigator index universal life policy, can be a smart solution to help safeguard a business from financial uncertainty. For example, it can provide capital to buy out shareholder(s) in a buy/sell agreement or provide some liquidity to sustain the business in the event of an unexpected disability or death of a key employee.*

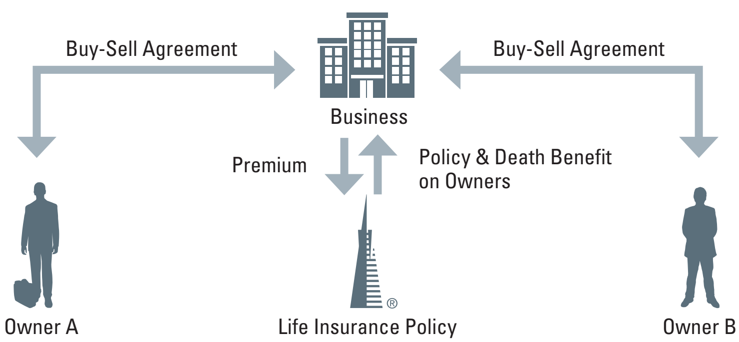
Be prepared with a built-in continuation strategy

Having the flexibility to manage changing economic conditions or long-term needs is important. A TransNavigator policy can help provide flexibility with a built-in exit strategy. With a TransNavigator index universal life policy, a policy owner can access the cash value accumulation on a tax-advantaged basis, providing much needed liquidity to the business if and when the need arises during the life of the key employee.

* For a C corporation, the life insurance death benefit and annual increases in policy cash value may be subject to the corporate alternative minimum income tax.

Stock Redemption

- Generally used when there are multiple business owners who want to use the assets of the business to fund the agreement.
- Business owns, pays premiums on, and is the beneficiary of a life insurance policy on each owner's life.
- The business:
  - Receives death benefit when owner dies
  - Uses the proceeds to purchase deceased owner's interest from his or her estate
  - Reflects the cash value as an asset on balance sheet
  - Receives no deduction for premiums paid
- Can help to equalize the cost of insurance when owners' ages vary widely.
- Ownership of life insurance policies may create AMT for a C Corporation.
- There is no step-up in basis for the surviving owner(s) of a C corporation after a stock redemption.



Stock Redemption: with Trendsetter® Super 20

Facts:

- Paul, age 55, and John, age 70; co-owners of an S corporation
- Paul owns 1/3 and John owns 2/3 of business
- Business is valued at $3.0 million by a certified appraiser

Goals and Objectives:

- John and Paul need a plan to ensure the business interest is passed to the survivor at the time of the first owner's death
- They would like to equalize responsibility for uneven premiums due to age and underwriting

Action Taken:

- Business implements stock redemption plan.
- At age 70, John is eligible for Trendsetter® Super 20.
- Corporation owns and pays premiums on life insurance policies on John and Paul.
- The death benefit will provide funds for company to redeem the deceased's interest, leaving the surviving partner as the sole owner, and providing liquidity to the estate of the deceased partner.

Business Planning Product Spotlight

Term Now Available for Older Ages: Maximum Issue Ages with Trendsetter®

		Maximum Issue Age
10-Year	Nonsmoker	80
	Smoker	80
15-Year	Nonsmoker	78
	Smoker	73
20-Year	Nonsmoker	70
	Smoker	65
25-Year	Nonsmoker	65
	Smoker	60
30-Year	Nonsmoker	58
	Smoker	53

Why Transamerica?

- TransNavigator index universal life policy provides a death benefit payable to the co-owner or business upon the insured's death.
- TransNavigator index universal life policy allows for flexible premium funding patterns to mirror the growth and earnings of the business and owners.
- TransNavigator index universal life policy can be designed and funded for supplemental cash value accumulation, providing a source of funds for the business and/or owners upon the early departure or disability of an owner.
- Trendsetter Super term life insurance offers some of the highest maximum issue ages in the industry.

Trendsetter® Super Series (Policy Form No. 1-306 11-107, 1-305 11-107, 1-304 11-107, 1-303 11-107, and 1-334 11-107); are term life insurance policies issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. **Premiums increase annually starting in year 11 for the 10-year policy, in year 16 for the 15-year policy, in year 21 for the 20-year policy, in year 26 for the 25-year policy, and in year 31 for the 30-year policy.** Policy forms and numbers may vary, and these policies may not be available in all jurisdictions.

TransNavigator IUL℠ is a flexible premium index universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy form No. ICC14 IUL08 REV or IUL08 REV. Policy form and number may vary, and this policy may not be available in all jurisdictions.

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OLA 1975 0615

Business Succession Planning with Key Person Coverage and Buy-Sell Agreements

Program Highlights & Fact Finder

Transamerica®

You put maximum effort into establishing and running your business. But are you taking the right steps to make sure your business can survive the retirement, disability, or death of an owner or key employee?

When these events occur, your business may be significantly impaired or forced to close in a relatively short period of time, not because you did something wrong, but because you did *nothing*.

Business succession planning is crucial to ensure the successful transfer of your company or business interests. And yet few owners even know what their business is worth or have planned for the eventual transfer of their business interests. This brochure will discuss stabilizing and maximizing the value of a business and transferring it to the parties desired under specified, controlled circumstances. It is designed to help you retain control of your business and to assure that funds will be available to provide maximum financial flexibility in the event of retirement, death, or disability, or if you leave the business.

Key Person Coverage

Who do you consider a key person in your business? The person you rely on when you are not in the office? The one who works best with your customers? The person who finds creative ways to finance your business? You may already have a number of incentives to keep such employees working for you, including future ownership. But can the business afford to lose them now?

How long would it take to replace your key person(s) and how much business does your company stand to lose? An insurance policy on the key person's life, owned by the business, may be the answer. At the death of the insured, the business can use the federal income tax–free life insurance proceeds to find and train a successor and to replace the revenue lost by the untimely death of a key person.* An insurance professional can work with you to estimate the appropriate amount of life insurance needed within your business budget.

Buy-Sell Planning

Many business owners think a buy-sell agreement is not needed until the death of a business owner. While it is critical to have a plan in place at that time, the buy-sell is also important when any major life event changes the relationship of one of the owners to the business. Such an event could be disability, divorce, retirement, conflict between owners, or the desire of one owner to pursue another business opportunity. In each case, having a buy-sell agreement in place can help to mitigate conflict and speed up the transition by giving business owners a road map for handling the event.

What Is a Buy-Sell Agreement?

A buy-sell agreement is a legally binding contract that can be used with all types of businesses. It stipulates that upon a triggering event, such as the death, retirement, disability, or other withdrawal of a principal, his or her share of the business must be sold to the remaining partners or shareholders, or to the business itself. The remaining partners, shareholders, or the business itself agree to purchase the portion of the business owned by the deceased, retired, disabled, or withdrawing principal.

The agreement also helps to prepare for the manner of the owner's withdrawal from the company. For example, life insurance may be purchased to fund the agreement at death or retirement of an owner.

Key Provisions of a Buy-Sell Agreement

The buy-sell agreement, regardless of form, should specify certain key provisions. It must be drafted by an attorney. It is critical that the buy-sell agreement set out the intent of the parties in a manner that is legal in your state. The following information must be known for insurance planning and must be clearly explained in the buy-sell agreement:

- **Parties**—Who will be selling and who will be buying?
- **Mandatory**—The buy-sell agreement must state that it is mandatory for the seller to sell and for the buyer to buy the business interest.
- **What is to be purchased?**—This differs with each business type. For instance, it could be partnership interests, membership interests, stock—or for a sole proprietorship, the business' assets.
- **Price**—How much does the owner or the owner's estate get for his or her business interest and how much does the buyer have to pay for this business interest?
- **Timing of the sale**—For all parties involved, timing of the sale is critical.
- **Law**—Which state law(s) will apply?
- **Changes to the agreement**—A buy-sell agreement usually exists for a number of years. The process to update insurance coverage should be established.
- **Termination of the agreement**—There are valid reasons to terminate a buy-sell agreement, so having an exit provision can be useful.

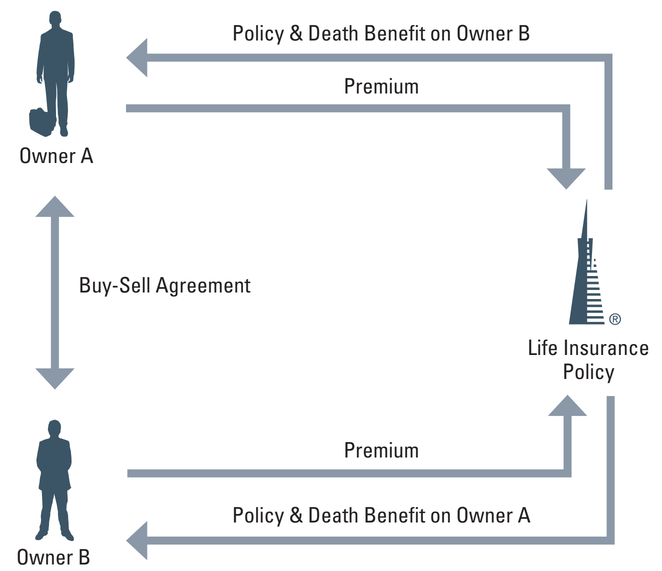
*For a C corporation, the life insurance death benefit and annual increases in policy cash value may be subject to the corporate alternative minimum income tax. Additionally the Notice and Consent requirements of IRC Sec. 101(j) must have been met prior to policy issue. State restrictions may also apply.

Types of Buy-Sell Agreements

Cross-Purchase

With this arrangement, each business owner purchases life and/or disability insurance on the other business owners. Each owner is the beneficiary of his or her respective policy(ies). The business is not part of the agreement. Upon the disability, death, or withdrawal of one owner, the remaining business owner(s) can use the policy proceeds or cash value to purchase their pro rata shares of the withdrawing owner's interest in the business.

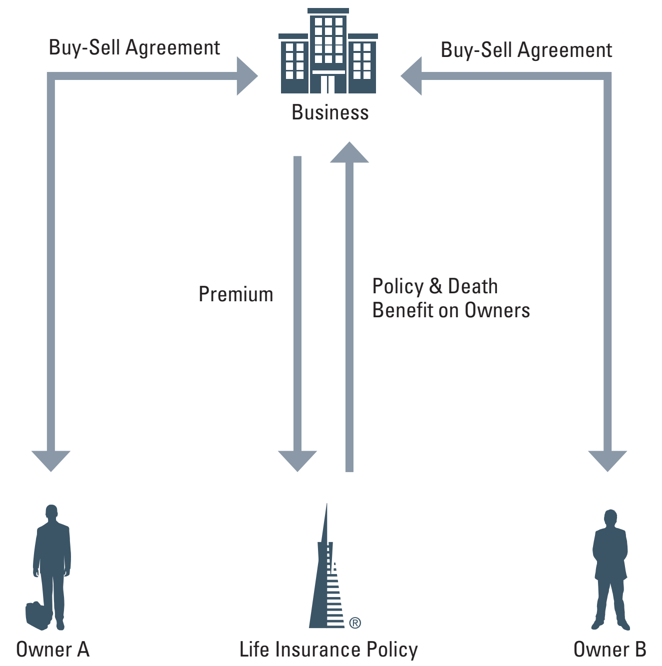
In the case of sole owners, this agreement can be structured as a one-way agreement, where a buyer such as a key employee or third party purchases a life insurance policy on the sole business owner. At the owner's death or retirement, the buyer uses the policy proceeds or cash value to purchase the owner's entire business.



Redemption

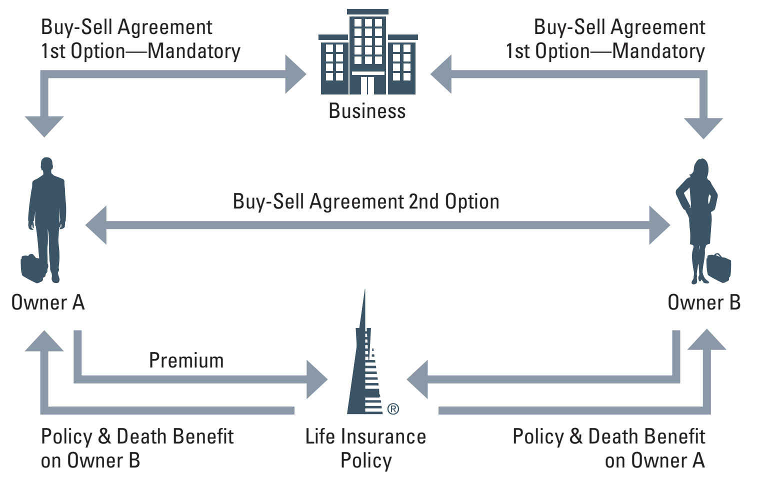
The redemption buy-sell agreement is generally used with any business entity that has multiple owners who want to use the assets of the business to fund the agreement. The business is the purchaser, owner, premium-payor, and beneficiary of life insurance policies on each owner's life. When an owner dies, the business receives the death benefit and uses the proceeds to purchase the business interest from the deceased owner's estate. The estate is paid the agreed-upon price, and the surviving business owners own the entire business.

The business will show the life insurance policy cash value as a business asset. However, premiums paid by the business are nondeductible. Redemption may not be as advantageous for C corporations because policy cash value accumulations and death benefit may be subject to alternative minimum income tax and, in the case of closely held businesses, family attribution rules may result in unforeseen tax consequences.



Wait-and-See

The primary advantage of the "wait-and-see" buy-sell agreement is its flexibility. Often, the decision between cross-purchase and redemption is difficult because of the inability to predict the future and determine which plan will be better for all parties. The wait-and-see agreement can adjust to future tax law changes, fluctuating economic times, or owner uncertainty. The wait-and-see is a hybrid agreement containing language of both previously mentioned buy-sell agreements which allows either the surviving principal(s) or the business itself to purchase the with-drawing owner's interest. The decision is not made until an owner actually withdraws from the business.

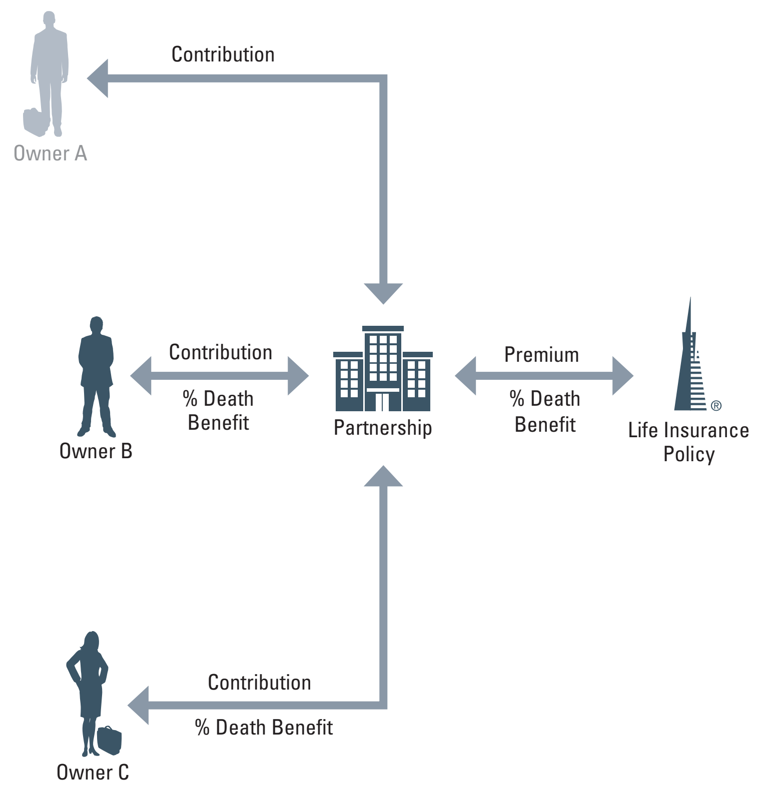


Combination Buy-Sell

The combination buy-sell is a nontraditional arrangement in which a general partnership is used to structure and fund a business buy-sell. This special arrangement combines the benefits of both a cross-purchase and stock redemption/entity purchase, while avoiding their negative aspects. With this arrangement—in addition to establishing a traditional buy-sell agreement for the business—the owners of the business establish a separate general partnership, which owns and names itself beneficiary of life insurance policies insuring the lives of the owners. The owners make contributions to the partnership to fund the payment of the premiums.

At the death of one of the owners, and according to the terms of the buy-sell, the death benefits can be:

- distributed to the surviving owner(s)/partner(s) to fund a cross-purchase-type buyout;
- lent by the surviving owners to the business to fund a stock redemption or entity purchase; or
- used by the partnership to buy the deceased owner's interest.



Advantages of Buy-Sell Agreements to the Owner and His or Her Heirs

- Creates liquidity for what might otherwise be an illiquid asset.
- Helps avoid family disagreements regarding the value of a business, as well as the legal and emotional costs of a valuation dispute.
- The heirs' economic futures will no longer be tied to the fate of the business and they will be free from worry about the financial success of the business.
- Specified proceeds can provide the decedent's estate with funds to help meet estate obligations that can reduce or eliminate the need to liquidate other estate assets.
- Helps establish the value of the business for federal estate tax purposes and may, therefore, avoid costly and aggravating IRS litigation.
- May avoid the conflict of interest issues that arise when a key employee takes over business operations.

Advantages of Buy-Sell Agreements to the Business and/or Surviving Principal(s)

- Ensures a smooth and complete transition of management and consolidation of business control in the hands of the agreed-upon group.
- Protects the business against inactive, unqualified, and/or potentially dissident heirs in the management of the business.
- The business and/or the surviving principal(s) are assured of the cash necessary to purchase the decedent's interest.
- Prevents potential impairment of the business' credit line.
- A properly drawn buy-sell agreement can protect a corporation's subchapter S status by avoiding inadvertent conversion to C corporation status.

Notice and Reporting Requirements for Employer-Owned Policies

Life insurance policies owned by an employer or corporation (commonly referred to as "EOLI" or "COLI") where the employer or a related person is the beneficiary are subject to legislation, known as the "COLI Best Practices" rules, enacted in August 2006. The Best Practices rules require that notice be given to, and the consent of the individual to be insured be obtained, before the policy is issued. If the notice and consent requirements are not followed, then the death benefit would be included in the beneficiary's gross income.

These rules generally limit COLI to officers, directors, and highly compensated employees. There are exceptions to the employee rule. If the notice and consent requirements are met and the insured fits into one of the following three exceptions at the time that the policy is issued, then the death benefit will be income tax–free to the beneficiary:

- The employee is a highly compensated individual or director (i.e., among the highest paid 35% of all employees as defined in IRC Section 105(h)(5)), or
- The employee is a highly compensated employee as defined by IRC Section 414(q), or
- The insured was a director within the 12 months preceding his/her death.

The employer must comply with annual record-keeping and tax return reporting requirements pursuant to these rules. Since buy-sell agreements such as stock redemptions, wait-and-see, or combination buy-sell agreements may involve a life insurance policy owned by the employer, such policies can be governed by the rules.

Although most buy-sell agreements would appear to fall within one of the exceptions to the rules, due to changing circumstances the purpose of holding a policy may vary over time. For instance, a policy intended to be used for a stock redemption may ultimately be used as key person insurance. Nevertheless, the employer must continue to follow the notice and reporting requirements of the rules to remain within one of the exceptions.

Business Valuation

In order to proceed with a buy-sell agreement, it is important to determine the value of the business entity both now and periodically in the future. An accurate valuation allows for all parties to be treated fairly and can minimize conflict at the time of the business transfer.

It is advisable to seek a professional evaluation in order to make sure the buy-sell agreement can withstand scrutiny by all parties involved at the time of the triggering event.

Planning Ahead to Minimize Risk

All business owners want to minimize risk in order to protect themselves and their businesses from economic loss and to increase the likelihood of success. For the protection of yourself, your family, and your business, it makes sense to reduce the risk of loss at the death of a key person or at the time of business transfer. Business succession planning is key to the successful transfer of your company or business interests.

An insurance professional can help you plan today to retain control of your business and to assure that funds will be available to help provide financial flexibility in the event of retirement, death, disability, or other severance of relationship with the business.

While this brochure explains the reasons for key person and business succession insurance coverage, your insurance professional and other advisors can assist in reviewing your particular situation and your best options. In some cases, an endorsement split dollar arrangement may be appropriate.

Funding a Buy-Sell Agreement

There are three primary methods to immediately fund a buy-sell agreement upon the death of a business owner.

Pay Cash

Requires large sums of liquid assets that may not be readily available, particularly at the time of an unforeseen event.

May have to liquidate valuable personal or business assets below market value in order to raise cash quickly.

Borrow the Money

The loss of an owner or key person may impair the credit rating of the business and its ability to borrow.

Principal plus interest must be paid. This could be a tremendous strain on the business budget.

Purchase a Life Insurance Policy

Money is available from the policy cash value or death benefit for the purchase of the business interest.

Policy cash values grow tax deferred and death benefits are federal income tax–free.*

*For a C corporation, the life insurance death benefit and annual increases in cash value may be subject to the corporate alternative minimum tax. Additionally the Notice and Consent requirements of IRC Sec. 101(j) must have been met prior to policy issue. State restrictions may also apply.

Business Succession Planning with Key Person Coverage and Buy-Sell Agreements Fact Finder

Company Identification

Name ______________________ Address ______________________

City ______________________ State __________ ZIP ________ Telephone ______________________

Entity Type: ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Sole Proprietorship

For C Corporation, Marginal Federal and State Income Tax Bracket: ______%

	Business Owners	Age	Sex	Smoker Y/N	% of Ownership	Tax Bracket	Relationship to Others
1.							
2.							
3.							
4.							
5.							

Employee Benefits

What employee benefit plans do you have and how are they funded?

Pension Plan ______________________ Profit-Sharing Plan ______________________

Keogh (HR 10) ______________________ SEP ______________________

Group Health ______________________ Group Life ______________________

Group Disability ______________________ Other (Describe) ______________________

____

Are there any special benefit plans just for owners and key employees? If "yes," describe: ______________________

____

Do you plan to add anyone to the plan(s)? __________ If "no," have you considered any? ______________________

Business Stability

Do any owners have personal liability for business debts? ______________________

If "yes," are these debts covered by life insurance? ______________________

Are there key employees whose death or disability would jeopardize company profits? ______________________

What has been done to protect the business in the event of death or disability of one of these key employees? ______________

____

If key employees are insured, who are the insured? ______________________

If not insured, who should be? ______________________ Is the insurance adequate today? ______________

Business Continuity

What are the names and ages of any relatives or children who may enter the business? ______________________

____

In the event family members are too young or lack experience, who would run the business? ______________

What have you done to guarantee that this person(s) will stay? ______________________________

Do you have a Buy-Sell Agreement? (Y/N) What type? ☐ Entity or Stock Redemption ☐ Cross-Purchase ☐ Other

If "yes," when was it last reviewed? ____________ Is it funded with life insurance? ____________

If funded with insurance, when was the policy(ies) last reviewed? ______________________________

How is the business value in the agreement determined? ______________________________

If unknown or out-of-date: Book Value: What is the book value of your business? $______________________

Earnings & Growth: Average earnings—last five years $__________ Capitalization rate (reflects risk of business/industry) _____ %

Years of goodwill (number of years that goodwill would last after owner's death, generally higher for service than manufacturing) ______

Return of tangible assets_____% Annual business growth rate _____% Estimate value of the business $ ________

Are there any other agreements concerning your business interest in existence? ______________________

If "yes," please explain: ____

Does your will contain any provision regarding the disposition or retention of your business interest? ____________

Does your will direct or authorize your executor to retain or operate the business? ______________________

Company Advisors

Accountant ______________________ Address ______________________

City______________________ State_____ ZIP Code ________ Telephone ____________

Attorney ______________________ Address ______________________

City______________________ State_____ ZIP Code ________ Telephone ____________

Other (Banker, etc.) ______________________ Address ______________________

City______________________ State_____ ZIP Code ________ Telephone ____________

TRANSAMERICA®

OLA 1078 0317

Giving your key employees a big reason to stay

Benefits for them—advantages for you

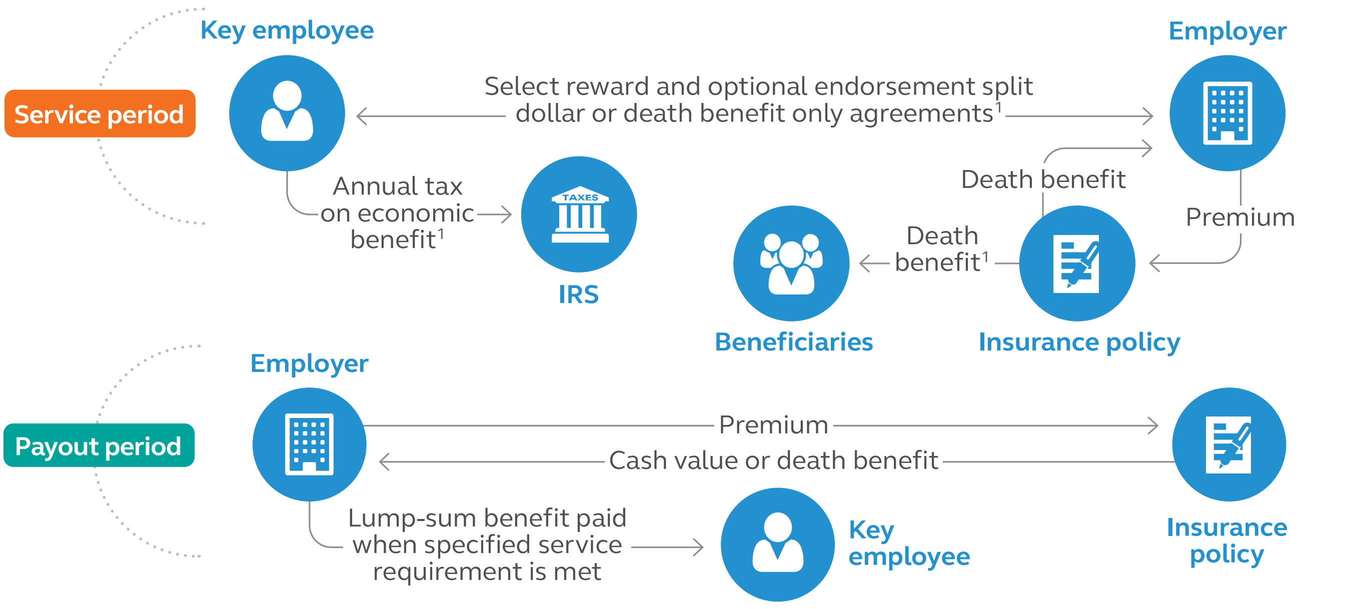
Your key employees help lead your company and keep it on the right path. So once you find the right top talent, keeping them is a priority. And it's equally important for key employees to work for a company that values their hard work—and offers them an incentive to stay.

This deferred comp plan could be an attractive solution for you and your key employees. It provides a lump-sum benefit to them at the end of a pre-determined service period, which encourages them to stay with you for the long term, instead of exploring opportunities with your competition.

Here's how it works

A deferred comp agreement is established with select key employees. You and each key employee enter into an agreement that promises a lump-sum benefit if the employee satisfies a service requirement. The company then purchases and pays the premium on a life insurance policy that builds cash value. The promised benefit can be a specified amount or can be measured by the cash value accumulated in the policy. If desired, an endorsement split dollar or death benefit only agreement can be set up, so that part of the policy's death benefit goes to the beneficiaries if the key employee should die during the service period.

When the service requirement has been met, the lump-sum bonus will be paid to the key employee. You choose how the bonus will be paid. You may use current cash flow or a withdrawal of cash value from the life insurance policy to meet this bonus requirement. As an alternative, ownership of the policy can be transferred to the key employee.



[1] These items only apply if the optional endorsement split dollar or death benefit only agreement is used.

What you need to know

There are many advantages to this plan, just as there are some things to consider.

For you

Encourage loyalty. You provide incentive for the key employee to remain loyal to your company for a pre-determined service period.

Receive a tax deduction. In the year the bonus is paid or the life policy is transferred to the key employee, your company receives a tax deduction for the entire bonus. Any gain in the policy at this time of transfer is taxable to you.

Reduce cash flow. Premiums are paid with company after-tax dollars, so each premium payment reduces your annual cash flow.

Recover the premium cost. If the key employee dies before the end of the service period, the life insurance policy's tax-free death benefit[3] may be used to recover the cost of the premiums you paid.

For your key employee

Pay minimal cost. The key employee will pay tax on the value of the life insurance death benefit that's endorsed to them during the service period, if any. This cost is much less than if the key employee was to personally purchase that amount of permanent life insurance.[2]

Help with taxes. This plan design does not allow the option to defer the lump-sum bonus, nor does it offer another payment choice. In the year the bonus is received, the key employee recognizes income in the amount of the lump-sum bonus. However, if the policy is transferred, a portion of the policy's cash value may be used to pay the income tax due.

Use for personal needs. If ownership of the life policy is transferred to the key employee, its cash value and death benefit may be used for personal financial needs.

Must qualify. The key employee must be healthy enough to qualify for the life insurance policy.

Take note: The bonus must be paid in a lump sum within 2½ months of the end of the tax year in which the key employee meets the service requirement to avoid being considered a deferred compensation plan that would be subject to IRC Section 409A requirements.

Although the lump-sum benefit can be paid (in whole or in part) by transferring ownership of the insurance policy (if any) from the company to the key employee, it's important to note that the plan makes no specific commitment to transfer the policy or cash value to the key employee. Doing so could lead to more stringent requirements of a funded deferred compensation plan.

Encourage your key employees to stay with you for the long term, instead of exploring opportunities with your competition, by providing this deferred comp plan. It's a great way to offer them a valued benefit, while helping your business keep its top talent. To learn more, contact your financial professional today.

[2] This applies only if an optional endorsement split dollar agreement is used. Another approach would be to use a death benefit only plan agreement. The key employee pays no income tax during life; however, the death benefit is taxable to the employee's beneficiary.

[3] If the requirements of IRC Section 101(j) are not met, then death proceeds from employer-owned life insurance contracts may be taxable as ordinary income in excess of the cost basis.

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Ensure the orderly transfer of your business

A buy-sell agreement funded with life insurance

As an owner, one of the most important decisions you'll make is who will take the reins of your business in the event of the death, disability or retirement of you or a co-owner.

A buy-sell agreement establishing the terms and fair market value for the sale of an owner's interest in the business can help make sure your business continues without disruption.

Life insurance can be a cost-efficient way to fund your buy-sell agreement. It can provide a lump sum of cash that may be used to purchase a deceased owner's business interest, generating immediate liquidity for estate taxes or an income stream for loved ones, or to meet other needs.

Meet Al, Bob and Charlie

College buddies, age 45

They're equal owners of a physical therapy practice. Business value: $3 million

Al, Bob and Charlie have a profitable physical therapy business, which they established several years ago as an S-corporation.

Their financial professional asked them what would happen to the business if either Al, Bob or Charlie suddenly passed away or decided to leave the practice.

The company's challenge

A plan to help ensure that the business will:

- Continue if one of the owners was not there
- Have enough funds available to pay employees and creditors
- Transfer to suitable owners in a way the partners intend

And ensure that each owner:

- Can provide their family with a fair price for its share of the business if they died, became disabled or left the therapy practice
- Can afford to retire
- Can protect the value of their business investment

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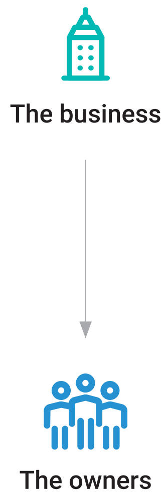
Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

Advantages of a buy-sell agreement



Advantages for your business

- Business value is established and the purchaser(s) of the business interests are identified
- Continuity is maintained for the owners' customers, employees and creditors
- Assures that a deceased or disabled owner's share of the business will not transfer to an unsuitable owner

Advantages for the owners

- Establishes a ready market for your business interest
- Facilitates the orderly transfer of ownership
- Buyout proceeds can provide estate liquidity to offset debt, expenses and taxes, and potentially provide an income stream for loved ones on the owners' lives. The business pays the premiums and will be the owner and beneficiary.

Types of buy-sell agreements

Cross-purchase plan

Each owner has an agreement that their business interest will be exchanged directly with other co-owners or identified buyers.

If an owner dies, life insurance proceeds paid directly to a surviving owner provide an immediate source of liquidity to allow for the purchase of shares from a deceased owner's estate.

Entity purchase or stock redemption plan

Each owner enters into an agreement with the business for the sale of their respective interests in the business.

As part of this agreement, the business will purchase separate life insurance contracts on the owners' lives. The business pays the premiums and will be the owner and beneficiary.

The strategy in action

To help protect Al, Bob and Charlie and their business, their financial professional recommends that the S-corporation establish a buy-sell agreement, which is set up as a stock redemption plan. Each owner enters into an agreement for the sale of their ownership interest in the business.

Because cost is a factor, their financial professional suggests using a 20-year Lincoln level term policy to fund the buy-sell agreement. If the owners' needs change, they could convert from Lincoln level term to a Lincoln permanent life insurance solution.

Since the value of the business is $3 million and Al, Bob and Charlie own equal shares in the S-corporation, the business will purchase a $1 million Lincoln level term insurance policy on each of their lives. The business will be the owner and beneficiary of each policy, and for the next 20 years will pay a level annual premium for the coverage.

The outcome (per policy)	
The business will pay $1,239 annual premium* for 20 years	**$24,790 total premium***
Death benefit in year 1	**$1 million**
Death benefit when the owners are age 65	**$1 million**

This outcome is for one policy only. There would be three identical policies in this example. This hypothetical example assumes a male, age 45, preferred nontobacco, 20-year level term insurance.

If any of the owners would die or leave, the S-corporation will purchase that owner's stock. This ensures that the owner or their loved ones will be compensated with the fair market value of their share of the business.

*Rates vary in New York.

The case study presented is hypothetical and shown for illustrative purposes only. It is not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon individual facts and circumstances. Solutions presented are not appropriate for everyone.

Why choose Lincoln term insurance?

- **Guaranteed financial protection** for 10, 15, 20 or 30 years with guaranteed premiums so that you know the cost of the policy will never increase
- **Affordability** for business owners who need balance-sheet-sensitive solutions
- **The convenience** of a streamlined application process and the opportunity of no lab work requirements if you meet certain qualifications
- **Flexibility** with the option to convert to Lincoln permanent life insurance[1] and add optional enhancements for additional protection to meet your changing needs
- **The strength of Lincoln Financial Group** For more than 100 years, we've remained committed to helping Americans plan for retirement, prepare for the unexpected and protect their wealth from taxes, long-term health costs, longevity, inflation and market risk. We have continued to keep our promises through challenging financial times, including the Great Depression and the Financial Crisis of 2008. Today, millions of Americans rely on us for the knowledge, experience and solutions to help them meet their goals

[1] Convertible prior to the end of the level premium payment period (10, 15, 20 or 30 years) or prior to insured's attained age 70, whichever comes first. Conversions allowed to qualifying Lincoln permanent life policies available at the time of conversion.

Take the next step to protect your business investment. Talk with your financial professional about planning strategies to help you succeed.

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Protect your business investment

Insure against the unexpected loss of a key employee

You carry insurance coverage to protect yourself from the loss of property and equipment, but what about your most valuable asset — your key employees? A key employee may be a co-owner or partner, top executive or important member of the organization with unique talents, experience or skills critical to the prosperity of the business.

Key person life insurance protects the business from the financial impact of the loss of an essential employee.

Meet Vince and Mark

Vince owns a large construction company

Mark, age 45, is a civil engineer and general sales manager

Mark has been with Vince's company for over 10 years, and his ability to generate sales leads has led to its success. Because Mark has become an invaluable asset, his loss to a competitor or unexpected death would put Vince's business at financial risk.

The company's challenge

A plan that will protect the business from the financial effects that may happen if it were to lose its key employee, Mark, and:

- Replace lost revenue
- Provide liquidity to recruit and train Mark's successor
- Maintain business continuity for Vince's clients, creditors and employees

And flexibility for the business:

- Business determines who to insure and controls the policy if the key person leaves
- No IRS approval required
- Balance sheet-friendly

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How key person insurance works

The business

Purchases a life insurance policy on a key employee after giving them notice and receiving their consent

Advantages for the business

- Income tax-free death benefit proceeds paid to the business if key employee dies while policy is in-force[1]
- Death benefit proceeds to fund recruitment and training efforts to replace a key employee[2]
- Capital to replace profits or help settle any loans due or for other expenses as the company transitions[2]

Protection and financial flexibility for Vince's business

Vince's financial professional recommends key person insurance. Mark gives his consent to have a policy written on his life.

Vince's business purchases a *Lincoln WealthPreserve*® 2 IUL (2020) policy, with Mark as the insured. The business is the owner, premium payer and beneficiary of the policy. If Mark were to pass away, the business could use the death benefit to cover lost profitability, fund costs to recruit and train a replacement, and help maintain the availability of credit.[2]

Vince feels confident about having financial protection for his business. And because the policy offers cash value growth potential, he also has a solution that gives his business the flexibility to address future financial needs.

The outcome

The business will pay a $8,332 — annual premium in all years	**$633,232**
Key person protection	**$1 million death benefit**
Cash value at age 65	**$178,848**

Hypothetical example assumes a male, age 45, preferred nontobacco, *Lincoln WealthPreserve*® 2 IUL with $1,000,000 level death benefit in the Fidelity AIM Dividend Indexed Account of a protection indexed universal life insurance policy, $8,332 annual premium paid in all years. Assumed rate of return of 5.92%. State of North Carolina. Assuming 0.00% and current charges, $92,560 cash value at age 65 and policy lapses at age 85. Due to differences in account features and underlying indices, the maximum illustrative rate and actual indexed crediting will differ by account.

[1] For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2) (the transfer-for-value rule), arrangements that lack an insurable interest based on state law, and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

[2] Annual increase in policy cash values and death benefit proceeds may have corporate alternative minimum tax implications.

Why choose *Lincoln WealthPreserve®* 2 IUL?

Guaranteed death benefit protection for up to 40 years or to age 90 (whichever comes first)[1]

Four indexed account options, featuring downside protection[2]

Access to potential cash value[3]

Add optional long-term care or chronic illness protection to help shield your portfolio from unexpected expenses[4]

Guarantees are subject to the claims-paying ability of the issuing company. Limitations and conditions apply.

[1] Minimum premium requirement must be met to maintain the Extended No-Lapse Minimum Premium Rider. Only available with death benefit option 1 and maximum issue age of 79. [2] Policy charges remain in effect and could reduce policy value. While there is protection from the downside the upside potential is also limited via a cap.
[3] Loans and withdrawals reduce the policy's cash value and death benefit. [4] Additional living benefits are offered through riders, are subject to eligibility, and may have additional costs. Limitations and exclusions apply. For additional details, please contact your financial professional.

Talk with your financial professional about how *Lincoln WealthPreserve®* 2 IUL (2020) can help with your business protection strategy.

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Planning For The Future:
A Guide for Small Business Owners

Transamerica®

You've worked hard to build your business—putting in countless hours during the week, sacrificing weekends and postponing vacations. Have you thought about what would happen to your business when you finally decide to retire—or if you should become disabled or die?

Planning for your Business' Future

Like estate or retirement planning, business succession planning is something that most people —no matter how financially or professionally savvy they are— would rather put off indefinitely.

When business owners do not make any contingency plans to transfer the business in the event of retirement, disability, death or other circumstance resulting in a separation from the business, negative consequences can arise for the owner, his or her loved ones, the remaining owners, employees and the business itself.

The death or disability of a principal owner of a closely held business can create serious financial problems for the estate, the business, and the survivors of the deceased. In fact, studies show that a little more than 30% of all family-owned businesses survive into the second generation, 12% into the third generation, and 3% operating at the fourth-generation level and beyond.[1]

If you're a certified professional, such as an engineer or accountant, then the pool of potential candidates is even smaller because your successor would also need the correct credentials and certification to take over the business. Thus, even if you wanted to create a business succession plan, you may have to go through the process of locating a third-party buyer.

This is where a buy-sell agreement becomes a useful alternative. Having a buy-sell agreement in place can help business owners mitigate conflict and speed up the transition by creating a road map for the future. A buy-sell agreement is a legally binding contract that can be used with all types of businesses. Life insurance may be purchased to help fund the agreement at the owner's death or retirement.

What is at stake?

Without a succession plan in place, a business could suffer the following events at the owner's death or disability:

- Downturn in revenue, resulting in inability to make payroll or other liabilities
- Loss of clients due to a lack of trust or image of instability
- Reduction or complete loss of income stream for the owner's spouse and family
- Poor operational decisions from uninformed or unqualified employees or family members
- Conflicts and disagreements amongst family members and employees
- Employees defecting to competitors
- Liquidation for certain businesses such as sole proprietorships or professional companies

[1]Family Business Alliance. Retrieved June 2014: http://www.fbagr.org/index.php?option=com_content&view=article&id=117&Itemid=75

Funding a Buy-Sell Agreement

Having a buy-sell agreement in place is crucial for business owners who want to ensure a trouble free transfer, as well as the continuing vitality of their businesses. There are four primary ways to fund a buy-sell agreement:

Pay Cash

This requires large sums of liquid assets that may not be readily available, particularly when an unforeseen event occurs. The client may have to liquidate their valuable personal or business assets at below-market value to quickly raise enough cash.

Borrow the Money

The loss of an owner or key person may significantly impact the credit rating of the business and its ability to borrow. Additionally, the business owners must pay principal plus interest. This could be a tremendous strain on the business budget.

Installment Sale

Under an installment plan, the remaining owners of the business make regular payments to a departed owner or a deceased owner's heirs in exchange for their share of the business.

Deceased or departed owner/shareholder's family would receive compensation over time rather than a lump sum, and may rely on continued success of business to receive payment—which cannot be guaranteed.

Purchase a Life Insurance Policy

With a life insurance policy, money is available from the policy cash value or death benefit for the purchase of the business interest. This liquidity is available at the time it is needed without the need to raise funds by either selling the business or borrowing funds. Policy cash values grow tax deferred and death benefits are federal income tax–free.*

*For a C corporation, the annual increase in cash value and the life insurance death benefits may be subject to the corporate alternative minimum tax.

What are the Benefits?

Retirement, disability and death are facts of life. However business owners who take the time to develop a blueprint for what should happen to their business if—or when—something happens, will gain more than just peace of mind.

- Allows the business to continue without losing revenue or assets after the owner is gone.
- Determine who will continue to run the business so that it can remain closely held if desired, or prevent the termination of business status, such as a subchapter S corporation election.
- Reduce the chance of complications during transition that could threaten the future of the business, or the value or income to the surviving co-owners and the owner's heirs.
- Reduce difficulties in transferring the owner's interest in the business.
- Provide the estate with liquidity to pay taxes and allow for pre-funding, often with life insurance.
- Establish an agreed method of valuation for a departing or decedent owner's interest in the business.

Conclusion

After many years of effort and hard work of building your business it is only natural to want it to survive and continue even after you are gone.

Successfully transitioning a business can be a challenge. Creating a business continuation plan can help you ask the right questions, clarify your goals, and identify a source for funding your succession plans.

Strength and Stability from an Industry Leader

Transamerica Life Insurance Company and Transamerica Financial Life Insurance Company (collectively "Transamerica") have the strength and experience to help business owners such as yourself as you look ahead to the future. Transamerica was built on a simple, but powerful, promise: to provide quality financial products at competitive prices. Transamerica has been helping families and businesses to secure their financial futures for more than a century, and this tradition of excellence continues today.

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Rely on Lincoln business life insurance solutions

LIFE SOLUTIONS

Client Guide

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Lincoln Life & Annuity Company of New York

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How will you continue to find business success?

As a successful owner, you know it takes more than hard work to ensure prosperity for your business. You need ways to protect your company, compete for top talent, reward your employees, and plan for a financially secure future. Lincoln can help you meet these goals so you can focus on growing your enterprise.

		Gain advantages for your business and your employees
Retain, reward and recruit key talent	SERP nonqualified deferred compensation	▪ Attract new talent with an enhanced executive compensation package. ▪ Retain top talent with custom-designed plans.
	Split-dollar plan	▪ Fund benefits in a financially attractive way. ▪ Provide control and flexibility for your company. ▪ Incentivize select employees through tax-advantaged benefits that contribute to their financial security.
	162 executive bonus plan	▪ Compensate key employees in a simple but unique way. ▪ Reward employees critical to your success. ▪ Provide benefits with tax-deductible dollars.
Ensure business continuity	Key person coverage	▪ Prevent revenue loss due to the death or departure of a key employee. ▪ Have capital available to recruit and train a replacement.
Transfer business interests efficiently	Buy-sell agreement	▪ Facilitate an efficient transfer of your business interest. ▪ Help assure business continuity. ▪ Plan so you may receive a fair price for your business. ▪ Feel confident you can retire when you want. ▪ Prepare for your family's financial security.

Insure the orderly transfer of your business

Buy-sell agreement

The strategy: Buy-sell agreement

Succession planning is important to every business because it helps ensure an orderly transition if a shareholder, owner or business partner would retire, become disabled or pass away. If one of these triggering events occurs, a buy-sell agreement is a binding contract governing what happens to an owner's or shareholder's business interest. It can have the terms and valuation methodology for a buyout of their business interest. And because life insurance has unique advantages, such as immediate cash available to purchase a deceased owner's interest, it's an excellent choice for funding a buy-sell agreement.

How buy-sell plans funded with life insurance works

Cross-purchase plan

- Each owner has an agreement that their business interest will be exchanged directly with other co-owners or identified buyers.
- At death of an owner, life insurance proceeds paid directly to surviving owner provide an immediate source of liquidity to allow for the purchase of shares from deceased owner's estate.

Entity purchase or stock redemption plan

- Each owner enters into an agreement with the business for the sale of their respective interests in the business.
- As part of this agreement, the business will purchase separate life insurance contracts on the owners' lives. The business pays the premiums and will be the owner and beneficiary.

Advantages for your business

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- Continuity is maintained for the owners' customers, employees and creditors
- Assures that a deceased or disabled owner's share of the business will not transfer to an unsuitable owner

Advantages for owners

- Establishes a ready market for your business interest
- Facilitates the orderly transfer of ownership
- Buy-out proceeds can provide estate liquidity to offset debt, expenses and taxes, and potentially provide an income stream for loved ones on the owners' lives. The business pays the premiums and will be the owner and beneficiary.

Protect your business from the loss of a valuable employee

Key person coverage

The strategy: Key person coverage

You carry insurance coverage to protect your business from the loss of property and equipment, but what about your most valuable asset — your key employees? A key employee may be a co-owner or partner, top executive or important member of your organization with unique talents, experience or skills critical to the prosperity of your business. Key person life insurance protects your business from the financial impact of the loss of an essential employee.

How key person insurance works

Your business

Purchases a life insurance policy on a key employee after giving them notice and receiving their consent

Advantages for your business

- Income tax-free death benefit proceeds paid to the business if key employee dies while policy is in-force[1]
- Death benefit proceeds to fund recruitment and training efforts to replace a key employee[2]
- Capital to replace profits or help settle any loans due or for other expenses as your company transitions[2]

[1] For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2) (the transfer-for-value rule), arrangements that lack an insurable interest based on state law, and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

[2] Annual increase in policy cash values and death benefit proceeds may have corporate alternative minimum tax implications.

Reward the key employees you select

Retain, reward and recruit key talent

The strategy: Executive bonus plan (I.R.C. 162 bonus)

An executive bonus plan using life insurance can provide a simple yet powerful addition to your total executive compensation benefit package for your top performers. You maintain control of who will participate and can choose to provide a single bonus to your employee or "gross" the bonus up. There's little to no out-of-pocket expense to your employee. And if you're concerned about employee retention, you could restrict your employee's access to the policy's cash value for a period of time, such as until retirement.

How an executive bonus plan works

Your business

Pays a tax-deductible bonus to cover premiums for a life insurance policy owned directly by your employee

Your employee

Designates a policy beneficiary and pays income tax on the bonus received

Advantages for your business

- Discretion to select which employees can participate
- A plan that's easy to implement and maintain
- An immediate tax deduction for the annual bonus paid[3]

Advantages for your employee

- Policy ownership and control of cash value and beneficiary designation
- Cash value that grows tax-deferred
- A tax-efficient income supplement through policy loans and withdrawals[4]
- A legacy asset that transfers to their beneficiary income tax-free

[3] The deductibility of the bonus is subject to the reasonable compensation limits established by Internal Revenue Code Section 162(a).

[4] Policy loans and withdrawals will reduce death benefit and policy values.

A mutually beneficial plan for you and your top talent

Retain, reward and recruit key talent

The strategy: Split-dollar plan

A split-dollar life insurance arrangement is a cost-efficient way to offer supplemental retirement income, valuable death benefit protection, or both to the employees you select. It's mutually beneficial because you and your employee agree to share the benefits of a life insurance policy. Premiums are generally funded exclusively by your business, and the plan can be designed to leverage the amount of policy control you'd like to have.

How a split-dollar plan works

Your business

Enters into a written split-dollar agreement, which specifies the rights and responsibilities of each party, with each selected employee

Your employee

May pay income tax on the economic benefit received or on interest expense of the loan.

Advantages for your business

- Discretion to select which employees can participate
- A flexible plan that's generally easy to implement and maintain
- Plan design options to help reduce impact to company's financial reporting
- Potential cost recovery available

Advantages for your employee

- Potential to have tax-advantaged income through policy loans and withdrawals, depending on the type of split-dollar arrangement[1]
- An income tax-free death benefit
- A cost-effective way to obtain survivor benefits and supplemental retirement income

Reward top executives with supplemental retirement income

Retain, reward and recruit key talent

The strategy: Supplemental Executive Retirement Plan (SERP)

An attractive compensation tool designed to help top executives and certain owners supplement their retirement income. Because traditional retirement plans have contribution limits, high-income earners could face a retirement income gap if they solely relied on qualified plans. A SERP is an employer paid deferred compensation agreement that provides supplemental retirement income to your key employee, based on the employee meeting certain vesting or other specific conditions.

How a SERP works

Your business

Enters into a SERP agreement with a selected key employee, often coinciding with purchasing a life insurance policy on the employee's life with their written consent

Your employee

Receives a taxable promised benefit from the company upon retirement or disability from policy loans, withdrawals or current cash flow[1]

Advantages for your business

- An impressive recruitment and retention tool
- When funded with life insurance, company obtains a tax-advantaged asset to pay benefits.
- Tax-deductible benefit payment
- Less administration and funding than traditional qualified plans[2]
- Potential to recover plan costs with income tax-free death benefit proceeds received if the key employee dies[3]

Advantages for your employee

- Potential to have survivor benefits for their loved ones
- A tax-deferred benefit to reward key employees for their contributions to the business.

[1] Policy loans and withdrawals will reduce death benefit and policy values.

[2] This type of plan may need to comply with IRC Sec. 409(a).

[3] If certain requirements under IRC section 101(j) are not met, the death benefits of an employer-owned life insurance contract entered into after August 17, 2006, will generally be taxable income to the employer to the extent the death benefit proceeds exceed the premiums paid.

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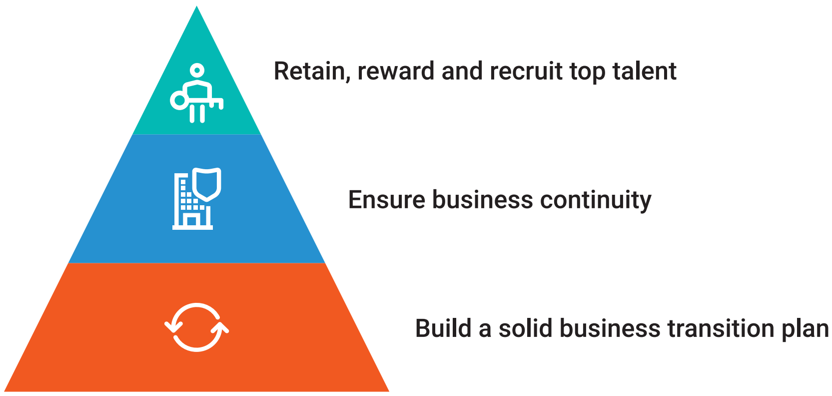

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