



Buy/Sell Agreements and Disability/Life insurance for

Business Owners

The death or long-term disability of a business owner may lead to internal turmoil, customer erosion and disruption in revenue flow. A buy/sell agreement funded with life insurance may help prevent these problems from arising and potentially damaging your business.

Most business owners implement one of two plans – the cross-purchase plan or the entity purchase or stock redemption plan.

Cross-purchase plan

Each business owner purchases a life insurance policy on each of the other owners. When an owner dies, the surviving owners use the death benefit to purchase the deceased owner's share of the business.

Entity purchase or stock redemption plan

In an entity redemption plan between owner-employees, each owner enters into an agreement with the business for the sale of their respective interests to the business.

As a part of this agreement, the business will purchase separate life insurance contracts on the lives of the owners. The business will pay the premiums and will be the



37 North Avenue, Suite #206
Norwalk, CT 06851

info@fortifyinsurance.com
www.fortifyinsurance.com

office: 203-226-4077
fax: 203-286-1100

Business Owners Plan

owner and beneficiary. When an owner-employee dies, his or her share of the company will pass to the heirs of his or her estate. The business may use the proceeds from the policy to purchase the interest from the estate.

This type of plan is not limited in by the number of employees you want to insure.

Potential business benefits of a buy/sell agreement

A buy/sell agreement gives employers peace of mind knowing that their business is in capable hands should they no longer be able or want to manage it. It also:

- Provides money to create a fair market value exchange
- Promotes equitable and orderly transfer of wealth, ownership and management
- May offer tax advantages
- Guarantees heirs a buyer for assets they may not know how to manage
- Provides heirs cash to pay estate debt, expenses and taxes

Potential benefits for business partners and employees

For employees, a buy/sell agreement provides a way to purchase a business they have a vested interest in but may not have the capital for. It also:

- Assures remaining owners that the deceased's share of the business will not pass on to someone unsuitable
- Assures continuity for customers, creditors and employees

