

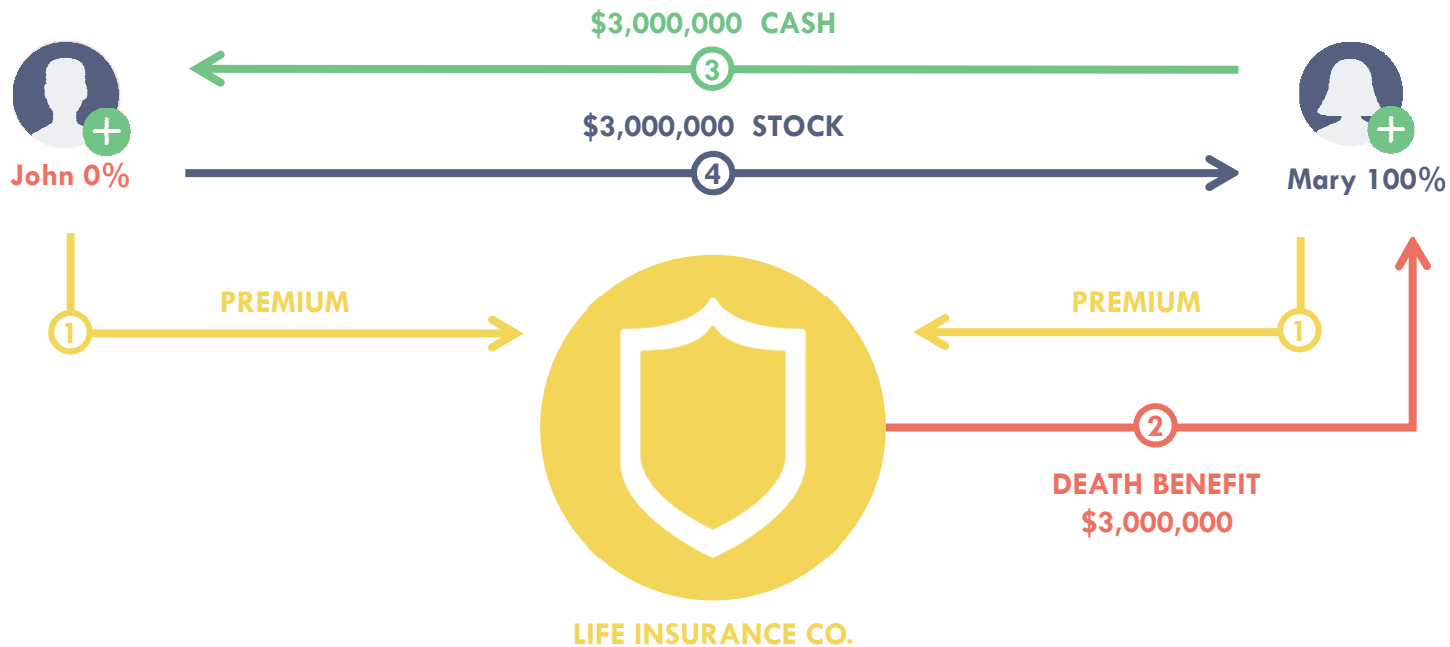
# CP Business Planning Cross Purchase Buy/Sell

## Buy/Sell Fundamentals

- ① Mary purchases life insurance on John. Mary owns the policy, pays the premium, and is the beneficiary (and vice versa).
- ② Upon John's death the life insurance company pays a death benefit directly to Mary.



- ③ With the life insurance proceeds, Mary buys John's portion of the business from his estate.
- ④ John's estate sells John's portion to Mary, and Mary is 100% owner of the company.



Simple strategy when there are 2 similar owners



Surviving owner receives a step-up in tax basis



Complex strategy when there are 3 or more owners



Unfair when there is a difference in ownership, age, or health status