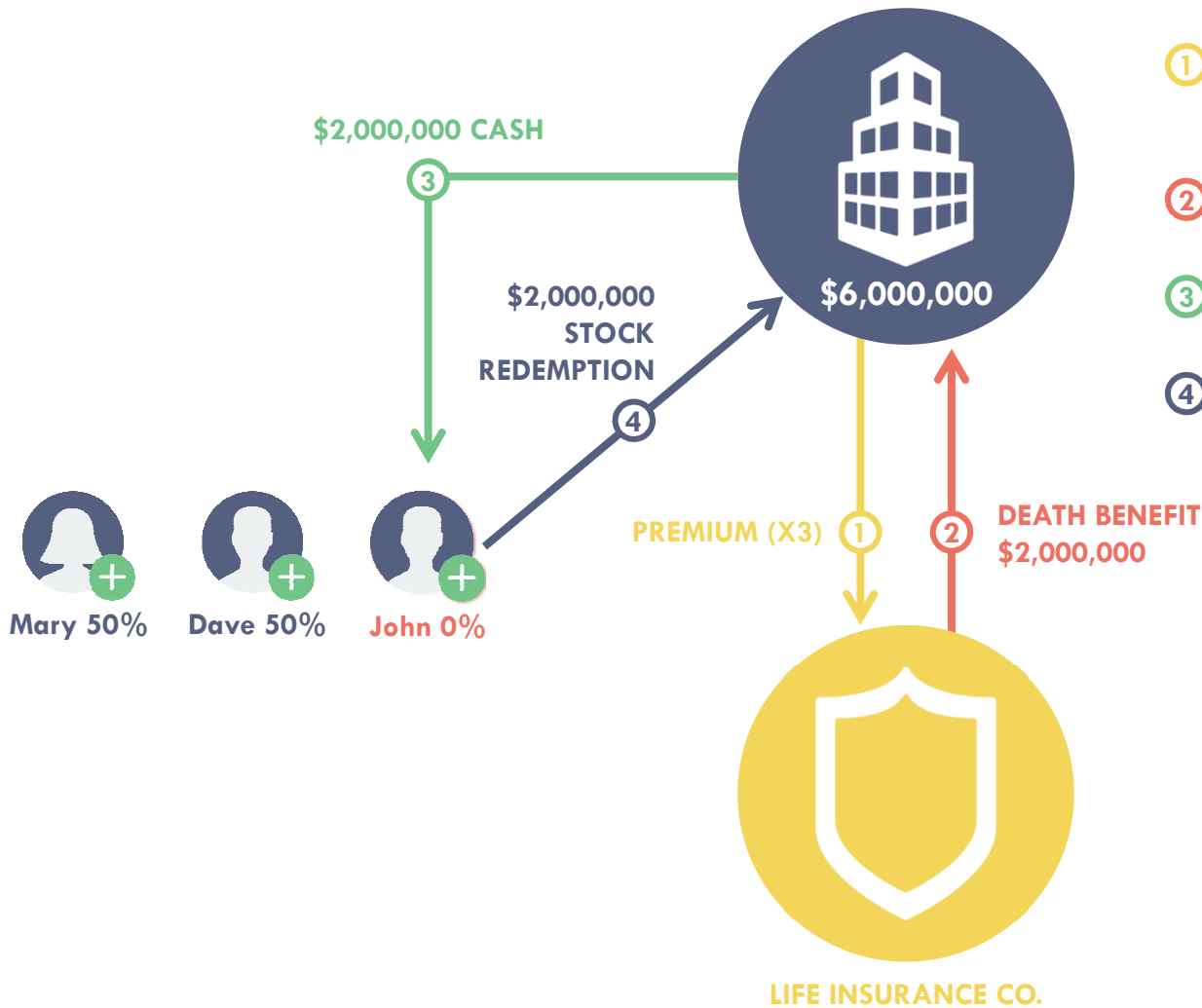


CP Business Planning Entity Purchase Buy/Sell

Buy/Sell Fundamentals



- ① The business purchases life insurance policies on all owners. The business owns the policies, pays the premiums, and is the beneficiary.
- ② Upon John's death the life insurance company pays a death benefit directly to the business.
- ③ With the life insurance proceeds, the business buys John's equity portion from his estate.
- ④ John's estate sells John's portion to the business, and Mary & Dave equally redeem John's shares.



Only 1 policy per business owner



Easier to administer when there are 3+ owners



Loss of step-up in tax basis



Policies are exposed to creditors of the business