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:

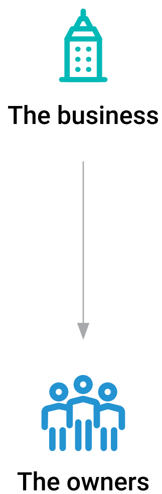
- Continue if one of the owners was not there
- Have enough funds available to pay employees and creditors
- Transfer to suitable owners in a way the partners intend

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

Insurance products issued by:
The Lincoln National Life Insurance Company

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 $1,367 annual premium[1] for 20 years	$27,340 total premium
Death benefit in year 1	$1 million
Death benefit when the owners are age 65	$1 million

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.

[1] 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.

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.

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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Talk with your financial professional about planning strategies to help you succeed.

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