

Using Indexed Universal Life to Fund a Retirement Buy-Sell



Business co-owners need a way to fund their transition from investing in their company to funding retirement and providing protection for their families. This strategy can help.

A Retirement Buy-Sell arrangement, funded by Indexed UL, can help business co-owners make sure that they, their families and their business are prepared for the future in case:

- A co-owner dies unexpectedly
- One becomes disabled
- Owner decides to exit the business
- Retirement Occurs

As opposed to a buy-sell funded by term life, which provides a simple death benefit when one co-owners dies, a **Retirement Buy-Sell** offers your client the ability to address their changing needs over time. This includes the need for death benefit protection PLUS cash value for supplemental retirement income, and Indexed UL can often serve well to meet that need.

Understanding the Buy-Sell Set-Up

- Each co-business owner must purchase a life insurance policy on themselves; the face amount equal to the percentage of the business. Each pays their own premiums. The business can be used to contribute.
- Some or all of the death benefit is “rented” to the other business owner as a way to temporarily provide partial ownership of the death benefit. This allows an owner to collect the death benefit in case.
- Each owner has access to their policy’s cash surrender value.
- The owners can fund a buy-out of the business using the cash value (**hence why Indexed UL is strong as your key strategy**) if one owner decides to leave; or they can use it as supplementary retirement income in the case where the buy-sell is no longer necessary.



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- Using the proper indexed UL strategy with a long-term care rider is a critical part of successfully closing the case – it allows the owners to protect against a long-term care event, and UMS can illustrate the best case design scenario according to your clients' needs

Prospect Profile

- Co-owner of a business
- Wants to plan for business transition
- Needs death benefit protection and would like retirement income as well
- Wants to plan for potential long-term care expenses

Some Key Benefits for Clients

- Funding a Buy-Sell with the Indexed UL strategy can work for any type of client, no matter what kind of business—a corporation, a partnership, an LLC, or even a proprietorship.
- Funding a buy-sell properly with an indexed life policy, can guarantee that there will be money available should the buy-sell event become a reality.
- Typically the proceeds are usually paid quickly upon one owner's death. The Indexed UL provides for cash values that are available within the policies, and the funds can be accessed to purchase your "interest" or percentage of the business upon retirement or disability.
- The IUL policy proceeds are typically free from income tax regardless of who owns the policy.

For a personal review of your case, an illustration, or more information to help you take the next steps in providing this solution call UMS at 800-524-1774.



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Proceeds from an insurance policy are generally income-tax-free, and if properly structured, may also be free from estate tax.

Income tax free distributions are achieved by withdrawing to the cost basis (premiums paid), then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value, and reduce the death benefit, or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

Policy loans and withdrawals will reduce available cash values and death benefits, and may cause the policy to lapse or affect any guarantees against lapse. Additional premium payments may be required to keep the policy in force. In the event of lapse, outstanding policy loans in excess of unrecovered cost-basis will be subject to ordinary income tax. Tax laws are subject to change. You should consult a tax professional.