



Troy Barrow,  
LUTCF

Arlington Insurance Planning Services (AIPS) was founded by Troy Barrow, LUTCF utilizing over twelve years of professional practice in the Insurance and Financial field and 20 years of local and international business management experience.

AIPS is affiliated with several top rated and well positioned Insurance carriers in the States we operate in, and in doing so we offer the versatility and value for our clients' needs in today's volatile business market.

We look forward to helping you meet your short-term and long-term goals for success.

Our Life Capitalized™ Concepts help our clients create a better financial future using Permanent Life Insurance to take control of the banking function in your life, while building for generations ahead.



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## The Buy-Sell Agreement A Business Continuation Strategy

Targeted Solutions with Life Capitalized™

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ARLINGTON INSURANCE  
—PLANNING SERVICES

## Your Business - A Most Valuable Asset

As a business owner, you might agree that plenty of time was spent planning the birth of your business and building it into a going concern. Less time is generally devoted to developing business continuation strategies and contingency plans. That's understandable. Day to day business activities and "what if" questions typically focus on competition, consumers, government regulation, profit margins and the like.

But what if something happened to you? What if you died unexpectedly? What problems would that create for your heirs, for surviving owners and for the business itself? Here are some business continuation concerns you may want to consider:

- If you died last night, would your family be able to step in and replace your skills and ability and if not, would they need the money you've invested in the business?
- Would your business be able to continue after providing heirs with the money they deserve?
- If your co-owner died, are you prepared to share management decisions with his/her heirs and do they have his/her skills and ability?

The bottom line is: *Will there be a smooth transition of business ownership and will your family's financial future be protected?*

### The Buy-Sell Agreement

A Buy-Sell Agreement, which is a contract between business owners or the business, is a way to plan for contingencies. It works like this - at the death (and perhaps total disability) of an owner, his/her business interest is transferred according to the contract terms. The other owner(s) or the business is obligated to purchase the deceased's business interest and the deceased's estate is obligated to sell. It helps benefit business owner's heirs by:

- Freeing them of business worries.
- Establishing a fair price for the business.
- Eliminating the possibility of a forced sale.
- Avoid probate delays.

- Setting the purchase price for the business interest.
- Allowing for uninterrupted control of the business.
- Providing some assurances to clients and creditors that the business will continue "as usual."

This assumes that the agreement is properly funded.

### Funding the Buy-Sell Agreement

Money will be needed to carry out the terms of the business Buy-Sell Agreement. Without proper funding, the Buy-Sell Agreement may not be worth much more than the paper it is printed on. Several funding options are available:

- **Wait and Pay Cash** - The surviving owner(s) or the business uses cash to fund the agreement. *Viable, provided that cash will be there when it's needed.*
- **Wait and Borrow Funds** - The surviving owner(s) or the business borrows funds, usually through bank loans, to fund the agreement. *Viable, provided a lender is available and the buyer can afford to pay back the loan including the loan interest.*
- **Life Insurance** - Insurance policies are purchased on the lives of the business owners. *Viable, provided the business owners are insurable.*

### Buy-Sell Funding with Life Insurance

Using life insurance as a funding vehicle could be the most cost-effective option. It provides these benefits:

- Proceeds are available when death occurs.
- Proceeds are generally income tax free.
- Premiums may be lower than the cost of repaying interest on a loan.

Buy-Sell Agreements can be structured in a variety of ways. One of the most popular for businesses with one to three owners is the cross-purchase plan. This method, including funding with life insurance, is illustrated on the next panel. Another popular Buy-Sell form is where the business purchases the deceased's interest. This form is not illustrated.

Note: The example presented in this brochure is an oversimplification. Federal income tax and estate tax aspects have not been addressed. You should always consult with your tax professional regarding your situation.

