



Practical Wealth Creation Ideas

...for Simplified Financial Success™

Financium.com



Selling YOUR BUSINESS

Many owners of family business can find efficient ways to transfer

the business to the next generation. Your children can purchase the company at fair market value. The company may want to purchase a new life insurance policy on your life to be paid for by the company. The death benefit could be used to pay off company debt (including IOUs if you have loaned them the money), redeem your shares, or to help the new children-owners buy out the remaining shares owned by other parties such as the children who are not involved in the company.

Alternatively, you could own life insurance outside the company. The death benefit could pay for all your capital gains taxes due, help equalize your estate by making non-business children the beneficiaries, and provide an income for a surviving spouse. Work with your financial advisor to determine what kind of life insurance will be most effective, how the ownership of the policy should be set up, and how benefits should be paid, either

through the estate, or directly to the beneficiaries thereby minimizing probate costs.

Where there is a buy-sell agreement between you and your children-shareholders, life insurance on your life, or jointly on your life and your spouse's life, owned by the purchasing shareholders, will allow for the surviving purchasers to buy out your ownership. If you plan to keep your business for several years, consider a split-dollar policy.

A split-dollar insurance policy allows the company to own and deposit extra funds into the policy in order to accrue interest tax-deferred in the company. You have the benefit of the insurance coverage personally outside the company. This may mean that there will be a substantial asset in your company after several years that you can be reimbursed for as a shareholder, in the event of a sale if purchased by an outside party.

