

One-way
buy-sell
agreements

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Allianz Life Insurance Company of North America

One-way buy-sell agreements

An effective planning strategy to help
with the continuity of your business

Do you have a succession plan in place for your business?

A one-way buy-sell agreement can help
**PROVIDE A
SUCCESSION
PLAN** for sole
business owners.

As the sole owner of a business, you know the importance of guiding your company in the right direction. And while your successes today are significant, there's also value in preparing for the future.

At Allianz Life Insurance Company of North America (Allianz), we can help you care for your business by adding a level of reassurance to your financial future. Maybe a successor for the business is not easily identified – or if a successor has been determined, there is nothing in writing that requires them to purchase the business.

In either situation, our fixed index universal life (FIUL) insurance, with the death benefit protection it provides, offers a unique opportunity to formalize your business continuation strategy. This is made possible with a one-way buy-sell agreement – a legal contract between an owner of a closely held business and a future buyer.

Here's how it works:

- 1) The business owner wants to establish a succession plan for his/her business.
- 2) The business owner determines a prospective buyer. Buyers could include a key employee, friendly competitor, relative, or other party.
- 3) The business owner and prospective buyer agree that a one-way buy-sell agreement makes sense for them.
- 4) The terms within the one-way buy-sell agreement establish a legal obligation for the buyer to purchase the business, and a legal obligation for the business owner to sell the business, upon a triggering event (typically upon the business owner's death).
- 5) The buy-sell agreement sets an agreed-upon price or formula for business valuation.
- 6) The buyer purchases life insurance on the life of the current business owner. The buyer is the owner and beneficiary of the life insurance policy.
- 7) Upon the death of the business owner, the buyer uses the life insurance death benefit to purchase the business according to the buy-sell agreement.

For all that's ahead.SM

Allianz 

The one-way buy/sell agreement in action

The following hypothetical example demonstrates the benefits of a one-way buy-sell agreement between Sam, a business owner, and Barb, a buyer (not actual Allianz clients).

1 Establishing and funding a one-way buy-sell agreement



Sam (business owner) commits to selling his business at an agreed value upon a triggering event(s) (e.g., death, retirement, disability, etc.).



Barb (buyer) agrees to purchase the business at an agreed value upon the triggering event(s).



Barb purchases a life insurance policy on Sam's life sufficient to meet her obligations under the buy-sell agreement. Barb pays the premiums, and is the owner and beneficiary of the policy.

2 Upon a triggering event for Sam (death, retirement, disability, etc.)



OR

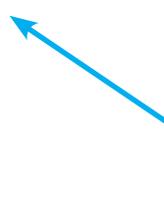


OR



Sam or his estate will receive funds from Barb.

Barb retrieves any available cash value from the life insurance policy through policy loans¹ or receives the death benefit to meet her obligation within the agreement.



OR



Sam or his executor will transfer the business interest sold to Barb according to the agreement.

¹ 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 a 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.

Benefits for the business and its owner

- The business owner or his/her estate receives the value of the business they created.
- It maintains the confidence of creditors, employees, and customers.
- The business owner has a known buyer upon a triggering event.
- It provides liquidity for payment of potential estate taxes and settlement expenses.
- The estate receives a step-up in basis at death; therefore, no capital gains will be realized if the triggering event is death.
- A properly established buy-sell agreement may set the value of the business in the business owner's estate.

Keep in mind that most life insurance policies require qualification through health underwriting and, in some cases, financial underwriting.

Benefits for the buyer

- The buyer receives the opportunity to own the business.
- The buyer has the ability to purchase the business using a life insurance death benefit or by accessing any available cash value accumulation through policy loans.¹
- The life insurance policy death benefit is federal income-tax-free to the beneficiaries.

Special considerations of a one-way buy-sell agreement

- The successor buyer needs funds to pay the life insurance premiums.
- The business owner needs to prove good health to qualify for life insurance.
- There are attorney's fees when drafting the one-way buy-sell agreement.

There are unique **BUSINESS OWNER AND BUYER BENEFITS** to a one-way buy-sell agreement.

See your business planning attorney to determine whether a one-way buy-sell agreement makes sense for you. And consult with your financial professional about a life insurance product to fund your agreement.

This brochure is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Allianz Life Insurance Company of North America, its affiliated companies, and their representatives and employees do not give legal or tax advice. You are encouraged to consult your tax advisor or attorney.

Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.



True to our promises ... so you can be true to yours.®

A leading provider of annuities and life insurance, Allianz Life Insurance Company of North America (Allianz) bases each decision on a philosophy of being true: **True to our strength** as an important part of a leading global financial organization. **True to our passion** for making wise investment decisions. And **true to the people we serve**, each and every day.

Through a line of innovative products and a network of trusted financial professionals, and with over 2.6 million contracts issued, Allianz helps people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

While we pride ourselves on our financial strength, we're made of much more than our balance sheet. We believe in making a difference with our clients by being true to our commitments and keeping our promises. People rely on Allianz today and count on us for tomorrow – when they need us most.

Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

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