

# A BUY-SELL AGREEMENT AND LIFE INSURANCE CONCEPT KIT



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0242396-00001-00 Ed. 04/2013 Exp. 10/15/2014



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## DID YOU KNOW?

- Small businesses comprise over 99.7% of all employer firms in the United States<sup>1</sup>
- Only 32% of affluent small business owners have a formal business succession plan<sup>2</sup>
- Only 30% of family-owned businesses transition to the second generation<sup>3</sup>
- Only 10% of family-owned businesses transition to the third generation<sup>3</sup>

<sup>1</sup> Small Business Administration, [www.sba.gov/advo/research](http://www.sba.gov/advo/research), updated January 2011 FAQ.

<sup>2</sup> LIMRA Market Facts Quarterly (Spring 2009) (“Affluent” = \$500,000 of investable assets excluding real estate and small business interests).

<sup>3</sup> <http://public.findlaw.com/bookshelf-gwe/gwe-17-1.html> (citing American Bar Association Guide to Wills and Trusts (2010)).

This kit has been designed to help you develop an effective, systematic approach to meeting with clients and prospects and discussing business continuation using a buy-sell agreement.

### KEY SECTIONS OF THE KIT:

- CONCEPT INTRODUCTION
- ACTION PLAN
- CLIENT PROFILES
- CLIENT CONVERSATION POINTS
- SAMPLE MATERIALS

# A BUY-SELL AGREEMENT AND LIFE INSURANCE

Without a business continuation plan, the odds are against a small business enduring after its owner dies. However, creating a plan can help change a business's fate and help the business owner's heirs as well.

## How life insurance can help

Life insurance can be used with a buy-sell strategy to:

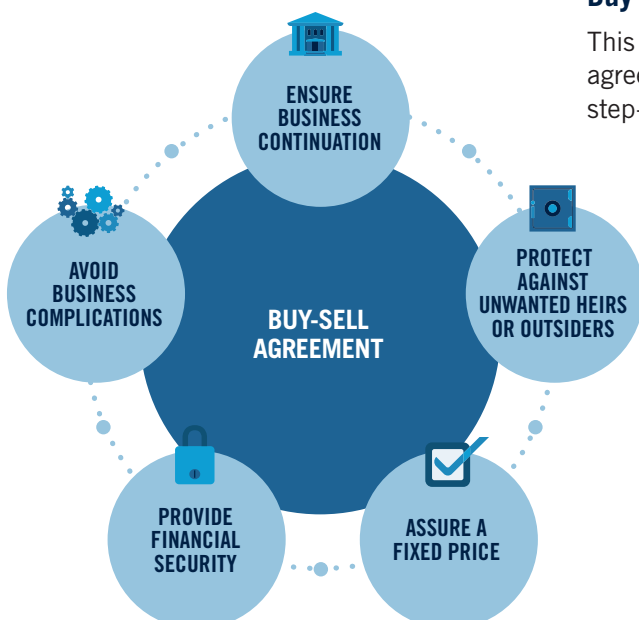
- help ensure the continuation of the business beyond the current owner or owners
- help ensure it can be sold at the price the owner wants
- provide funds to the owner's spouse and heirs

With a buy-sell agreement, an owner has a policy taken out on his or her life, either by the business, a co-shareholder, a partner, or a potential buyer, such as a key employee or child. When the owner dies, the policy provides funds to buy the business, and the cash can go to the owner's spouse and heirs.

A buy-sell agreement with a life insurance policy can help a small business owner to sell their business for the price they want or anticipate, even if an event diminishes the business's value or a prospective buyer doesn't have the funds needed to purchase it.

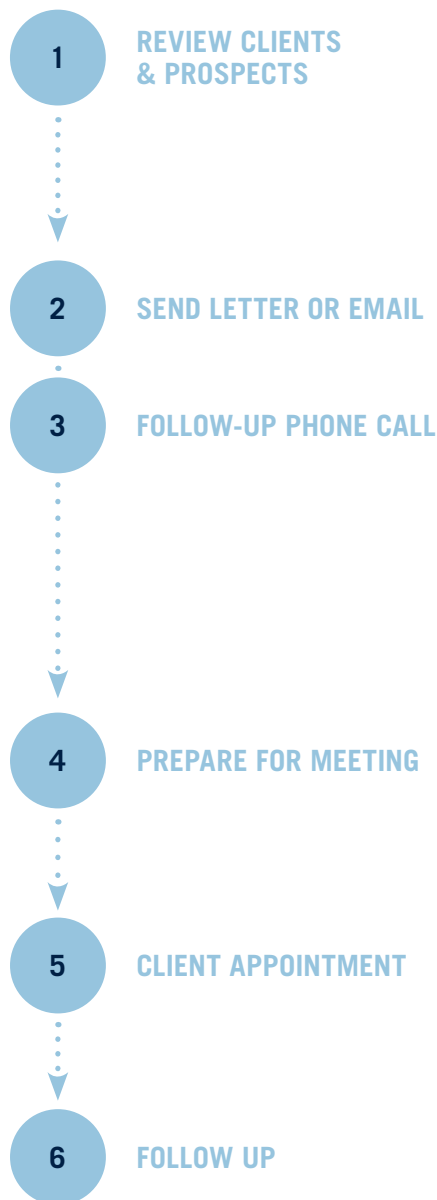
## Buy-Sell Concept Kit from Prudential

This kit is designed to help you easily introduce the concept of a buy-sell agreement to your clients. The next page introduces an *Action Plan* with a step-by-step approach to implementing this kit to get you started quickly.



A buy-sell agreement can help business owners address all of these areas.

# Action Plan for Success



The most successful way to approach the *Buy-Sell* concept kit is to **focus on ten clients or prospects at a time**, following each of the steps below. Once you finish all of the steps with those clients, select ten more and then repeat all of the steps.

## TARGET CUSTOMERS

Review the *Client Profiles* in the next section and select the client groups that provide the most opportunity. Also, review the additional material in the eKit that provides information about the market.

**Step 1:** With the profiles you've chosen in mind, review your book of business and prospects to identify whom to contact.

## CONTACT

Contact the clients or prospects to introduce them to the idea and to set up a meeting.

**Step 2:** Send a letter or email to ten clients or prospects to introduce the *Buy-Sell* concept. Prudential has provided a sample of each that you can use for your convenience.

**Step 3:** Follow up your letter or email with a phone call to check in with the client, ensure he or she got your email or letter, and ask for a meeting to discuss the concept further. We've provided talking points in the *Conversation Points* section to use.

## MEETING

Once a meeting is scheduled, the focus shifts to what's needed to present the strategy and decide on the next steps.

**Step 4:** Prepare for the initial meeting by gathering marketing material that might be useful and possibly some sample illustrations, if appropriate. During this initial meeting, additional information on the client's needs and desires for business succession will surface.

**Step 5:** At the meeting, walk clients through the Buy-Sell client materials and then discuss these potential solutions. Again, we've provided talking points in the *Conversation Points* section to use. Your Prudential wholesaler can walk you through the client material and how to present it to your clients. The Advanced Markets team can discuss individual clients' situations with you to help create an appropriate solution for each.

**Step 6:** Follow up with the clients afterward either to collect all of the necessary paperwork, if they have decided to purchase a policy, or to continue discussing the strategy, if needed.

# Client Profiles

The *Buy-Sell* Concept focuses on business owners who want a business continuation plan and a way to fund it. To find candidates for the strategy, review your client and prospect lists for any small business owners as well as consider asking for referrals from small business owners.

## A BUY-SELL AGREEMENT CAN BE USED WITH MANY TYPES OF BUSINESSES

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### SOLE PROPRIETOR



**Sole proprietor:** A buy-sell with a single owner is the most basic and easiest to set up, with the buyer usually being a current employee or family member.

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### PARTNERSHIP OR LLC



**Partnership or LLC:** Partners and managing members can create a cross-purchase agreement with each buying a life policy on the other. Depending on how many partners are involved, this type of agreement will require a more detailed agreement and additional policies.

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### C CORP OR S CORP



**C Corp or S Corp:** With both of these entities, all of the owners must be involved and in agreement. Prudential has the experience and expertise to help you as you work with the shareholders and their professional advisors.

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### FAMILY-OWNED



**Family-owned:** A family-owned business can take the form of any of those previously discussed and should be handled accordingly. However, if some of the children are involved in the business and others aren't then the client may be interested in using life insurance or a buy-sell arrangement to fund an estate equalization strategy that would include other policies as well.

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# Conversation Points

The following talking points can be used to introduce and discuss *Buy-Sell* strategies with your clients.

## WHEN SETTING UP A MEETING

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“You should have received [an email/a letter] from me recently. I sent it because I was reviewing your file and wasn’t sure if you have a business continuation plan currently in place or if you’ve reviewed it lately. I’d like to discuss how life insurance can be a useful tool as part of that plan. When would be a convenient time to discuss?”

## AT THE START OF THE MEETING

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“Thank you for meeting with me today. I’d like to start off by getting a little more information about your business, how it’s set-up, and what your plan is for the future of your business.”

## INTRODUCING THE BUY-SELL STRATEGY

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“Based on what you’ve told me, I think a buy-sell strategy can help with your goals. It’s usually the cornerstone of any business continuation plan and a way to create a legacy for your family from everything you’ve invested into your business over the years. Let me explain how it can help.”

Present *Insurance Strategies for your Business and The Benefits of Establishing a Buy-Sell Arrangement* brochures.

## DECIDING ON A COURSE OF ACTION

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After reviewing the strategy, “Now that we’ve discussed your business goals and the strategy, I’d like to ask you what you think. Do you have any questions at this point? Is this an approach you want to pursue? If so, we should discuss it with your [lawyer/accountant/co-owners]. Also, Prudential can help you decide an appropriate way to set up the buy-sell for your situation.”

## ADDITIONAL OPPORTUNITIES

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“Were there any other strategies in the *Insurance Strategies for your Business* brochure that you’d like to discuss further?”



# SAMPLE MATERIAL

In addition to the samples in this pocket, please go to [Pruxpress](#) for convenient access to all of the material available for this concept.



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0242396-00001-00 Ed. 04/2013 Exp. 10/15/2014