BUSINESS INSURANCE

Buy-Sell Agreements

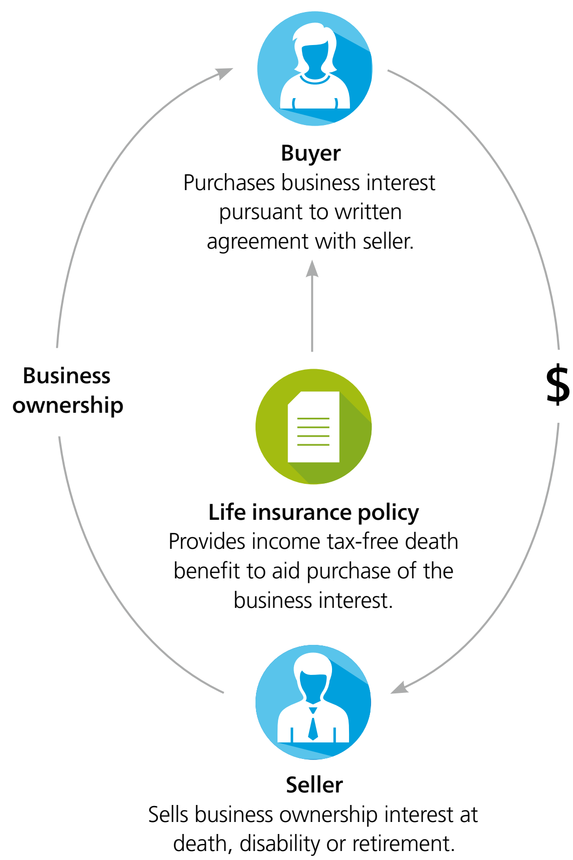
As a successful business owner, a funded exit strategy can help you harvest the value of your business when you leave the company. Through a buy-sell agreement, you select a buyer, determine the purchase price and the funding source for the future sale of your business. It can be triggered at retirement or in the event of your death or disability, and it helps to ensure that you and your family will receive full and fair value for your business.

How it works

You should work with an attorney to draft a buy-sell agreement between the business owner and the projected buyer. A buy-sell agreement is most commonly structured as either a cross-purchase or an entity purchase arrangement. In the cross-purchase approach, individual business owners purchase life insurance policies on the lives of all other business owners. It generally works best when there are three or fewer business owners of relatively equal age and health status, all of whom can be depended upon to make timely premium payments. A cross-purchase approach also provides the most favorable tax basis for the purchasing owners.

In an entity purchase approach, the business purchases policies insuring the lives of each business owner. This strategy is simpler for businesses with greater than three owners, and it equalizes premiums paid for individuals of varying ages and health classes. Although premiums are not tax deductible to the business, the death proceeds are received income tax free, assuming IRS guidelines are met. Be sure to review your proposed plan with your tax advisor.

Orderly transfer of your business ownership



Funding with life insurance

Life insurance is an ideal funding source for a buy-sell agreement triggered by the death of a business partner. It's often the most affordable option when compared to a bank loan, a sinking fund, or an installment sale, and the death benefit provides liquidity precisely when the need arises: upon the death of a business owner. Further, a permanent policy can accumulate cash value that can help fund a buyout strategy upon retirement.

continued

Ohio National Financial Services®

The benefits

- A buy-sell agreement provides for the orderly transfer of your business interest, ensuring it is not sold to outsiders or left to the control of partners' family members.
- A buy-sell agreement can create a degree of stability that may be important to creditors.
- Buyers and sellers agree to a fair price now, rather than waiting until urgent circumstances potentially reduce the asking price.
- Business succession planning combined with the guarantees of life insurance can help provide you with peace of mind.
- Surviving business owners receive a stepped-up tax basis when purchasing ownership shares from the deceased owner's estate in a cross-purchase arrangement.

Additional considerations

- To ensure death benefits are received income tax free, the business in an entity purchase arrangement generally must obtain notice and consent from each insured prior to issuance of the policy.
- In a closely held corporation using an entity purchase strategy, the family attribution rules may produce less favorable tax results for the deceased owner's estate. Consult your tax advisor when considering this strategy.
- When creditor protection is important, work with your attorney to determine whether a cross-purchase or entity purchase arrangement is best.
- Work closely with a business planning attorney to consider planning for additional triggering events, such as disability, bankruptcy, divorce, or loss of professional license.

Learn more by requesting our brochure, Succession Planning for Business Owners (Form 2301), from your Ohio National financial professional.

Cash value can be accessed by way of policy loans and surrenders. If tax-free loans are taken and the policy lapses, a taxable event may occur. Loans and withdrawals from life insurance policies classified as modified endowment contracts may be subject to tax at the time the loan or withdrawal is taken and, if taken prior to age 59½, a 10% federal tax penalty may apply. Withdrawals and loans reduce the death benefit and cash surrender value.

Consult your tax and legal advisors prior to executing a buy-sell plan. This flier provides general information that should not be construed as specific tax or legal advice nor the law of any particular state. Clients should seek the advice of a qualified tax or legal professional for their specific situation.

Life insurance products are issued by and guarantees are based on claims-paying ability of The Ohio National Life Insurance Company. Disability buy-sell insurance products issued by the Ohio National Life Assurance Corporation. Product, product features and rider availability vary by state. Companies not licensed to do business in NY. Disability buy-sell insurance not available in CA.

The Ohio National Life Insurance Company | Ohio National Life Assurance Corporation
One Financial Way | Cincinnati, Ohio 45242 | 513.794.6100 | ohionational.com
Post Office Box 237 | Cincinnati, Ohio 45201-0237

Ohio National Financial Services®
Life changes. We'll be there.®