



**Program Providers:** National Association of Insurance and Financial Advisors Minnesota and Society of Financial Service Professionals Twin Cities  
600 State St Ste A  
Cedar Falls, IA 50613  
651-366-6091 | [info@naifa-mn.org](mailto:info@naifa-mn.org)  
Website: [www.mn.naifa.org](http://www.mn.naifa.org)

**Program Coordinator:** Julie Phillips, NAIFA-Minnesota Executive Director  
703.770.8420 | [jphillips@naifa.org](mailto:jphillips@naifa.org)

**Program Chair:** Courtney Kastelic  
480.634.3634 | [kastelic.courtney@principal.com](mailto:kastelic.courtney@principal.com)

**Title:** Beyond the Basic Buy-Sell: It's More than Just Cross-Purchase or Redemption

**Presenter:** Kathleen Bilderback, JD, LLM, AEP

**Date:** Wednesday, September 21, 2022

**Time:** 10:45 AM – 11:45 AM

**Location:** Bavaria Downs | 3919 Bavaria Rd, Chaska, MN 55318

**CE Credits:** This educational offering is APPROVED by the Minnesota Commissioner of Commerce as satisfying 1.0-hour of Standard classroom credit toward continuing insurance education requirements for each hour attended.  
CFP: 1.0-hour Standard credit PENDING  
CLE: 1.0-hour Standard credit PENDING  
A certificate of attendance is available for individuals requesting CPE and PRP (Professional Recertification Program – formerly PACE) credits.

**Who Should Attend:** Estate planners, financial planners, investment advisors, insurance producers, retirement counselors, CPAs and JDs

**Level of Complexity:** Overview

**Course Description:**

Historically, the use of life insurance in business succession planning centered on funding cross-purchase and entity purchase buy-sell agreements. Frequently, however, there is a role for life insurance in more complex business succession transactions. During this interactive presentation, we will examine some less traditional methods to satisfy your clients' succession planning goals. This workshop will explore: (1) alternative succession structures for existing businesses; (2) issues to consider if your client is preparing to sell or acquire a business; (3) the anatomy of an acquisition; (4) creative yet practical uses of life

insurance in these transactions; and (5) case studies showing how these techniques have been used in practice. We will also discuss the potential impact of the Tax Cuts and Jobs Act of 2017 on business succession planning.

### Learning Objectives:

At the end of the course, participants should understand the use of life insurance in the design of complex succession planning arrangements and have developed familiarity with the use of life insurance in merger and acquisition transactions.

### Outline:

#### I. Agenda

10 Minutes

- a. Current Planning Environment
  - i. General Observations
  - ii. Aging Entrepreneurs
  - iii. Interest Rate Fluctuation
  - iv. Tax Planning Opportunities
- b. The Basic Buy-Sell
- c. Alternative Succession Structures:
  - i. The Partnership Buy-Sell
  - ii. Retirement buy-Sell
  - iii. Mergers and Acquisitions
- d. Case Studies
- e. Questions and answers

#### II. Tax Planning Opportunities

- a. Corporations, LLCs, and the choice of taxation
  - i. "Flight to the C Corporation" myth
  - ii. Partnerships
  - iii. S Corporations
- b. Estate and Gift Tax Opportunities
  - i. Window is closing for doubled basic exclusion amount (\$12.06M per person in 2022) for Gift/ Estate and GST Tax expires 12/31/2025 (to be \$5M per person indexed or approx. +/- \$6M per person)
  - ii. Gift Tax Annual Exclusion \$16k per person per donee in 2022
  - iii. Basis step up remains under current law
  - iv. Flexible Trusts remain a key planning tool

#### III. The Basic Buy-Sell

10 Minutes

- a. Why Plan for Succession?
- b. Typical "Insurance Based" Succession Planning
  - i. Cross Purchase
  - ii. Entity Purchase
  - iii. Trusteed/Escrowed
  - iv. "Wait and See"
- c. Terms:
  - i. Who will buy/sell?
  - ii. In what event(s)?

- iii. At what price?
- iv. How will they pay for it?

15 Minutes

**IV. The Partnership Buy-Sell**

- a. Many business owners would prefer an entity purchase arrangement:
- b. One policy per shareholder
- c. Entity payment of premiums
- d. Confidence that proceeds will be used for the buyout
- e. What is potentially the biggest drawback to the entity buy-sell?
- f. Key terms of the Partnership Buy-Sell: Why and how does it work?

15 Minutes

**V. Retirement buy-sell**

- a. To provide a mechanism for purchasing a deceased shareholder's interest while also providing a supplemental retirement funds
- b. Combination of 162 Bonus, Buy-Sell Agreement and Endorsement Split Dollar
- c. Traditional Cross Purchase
- d. One policy meets two needs
- e. May reduce the overall cost of insurance
- f. Tax deferred growth of cash value
- g. Ability to access cash value on a tax-free basis through withdrawals and loans
- h. Options for obtaining policy after the death of the owner

**VI. Mergers and acquisitions**

- a. Definitions
- b. Stock Sale vs. Asset Sale
- c. Who will buy?
- d. At what price?
- e. How Will the Purchase be Financed?
- f. Acquisition Process (from the buyer's perspective)
- g. M&A Issues Affecting the financial services professional
  - i. Employee Benefit Plans
  - ii. Change of Control Liability
  - iii. Policy Performance Testing
- h. New life insurance sales opportunities created by M & A activity

10 Minutes

**VII. Questions and Answers**

Total Time: 60 Minutes

**Instructional Materials for Registered Attendees:**

Handouts, if any, will be included in the handout tab at Finaroo.org

**Examination & Answers:** No exam