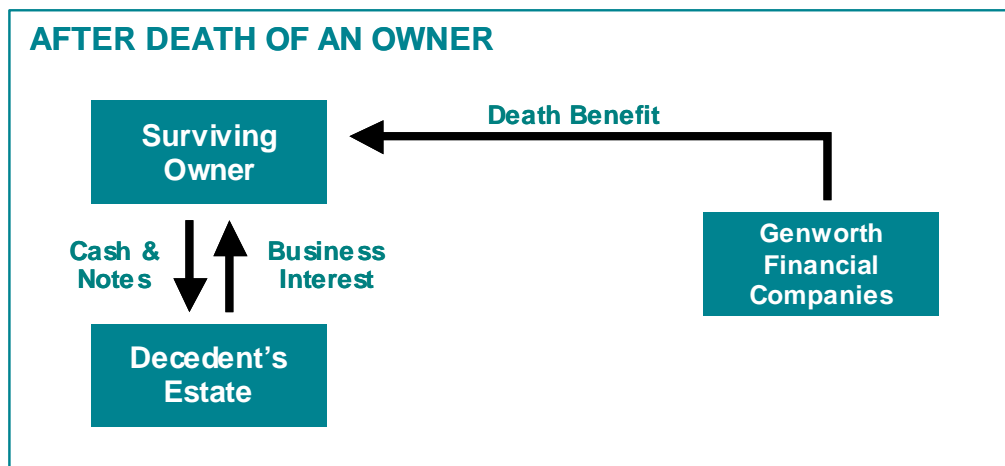
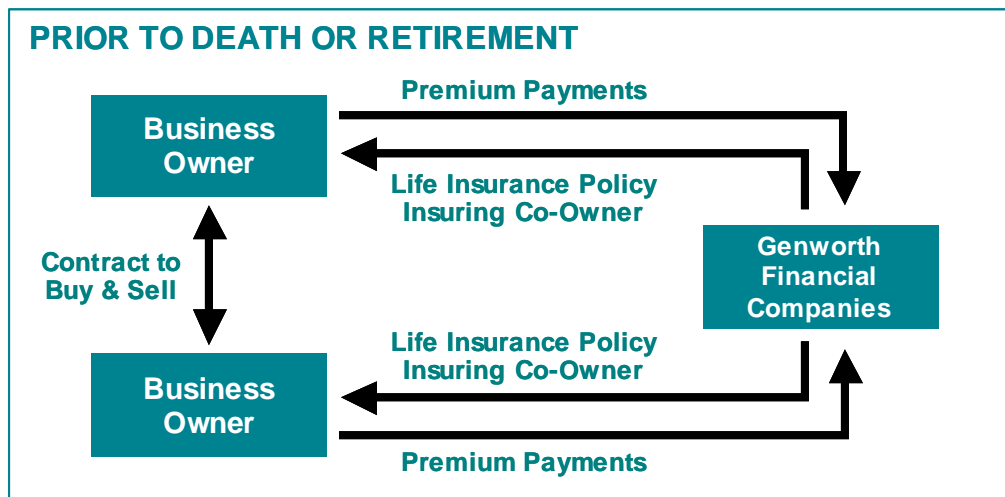


## Cross Purchase Buy-Sell Arrangement

A business like yours doesn't just happen. It is through the personal time, energy and money of the owners that it reaches this level of success and becomes a source of personal pride for the owners. Through your efforts, the business becomes a source of income for you and your family, jobs for many employees and a contributor to the community. But all of this can be lost if an owner dies before taking the steps necessary to ensure its continuation.

A buy-sell agreement is a contract that identifies a buyer for your business interest in the event of your death, disability or retirement and establishes a fair price for your heirs. When taking the form of a cross purchase agreement, each owner becomes contractually obligated to buy the interest of the deceased or departing owner and the departing owner (or the estate) becomes obligated to sell the interest to the remaining owner(s). When using life insurance, the purchasing owner(s) can be confident that some or all of the money needed to complete the purchase will be available at the death of an owner.



Genworth Life & Annuity, Genworth Life and Genworth Life of New York are members of the Insurance Marketplace Standards Association (IMSA). Membership promotes ethical standards in the sale and service of individually-sold life insurance, annuity, and long term care insurance products.

## **FEATURES:**

- Identifies a ready buyer for the business and establishes a method of determining the purchase price for the business interest.
- Provides surviving owners the assurance that they will be able to continue the operation of the business without interference from an unwelcome outside party or inexperienced heir.
- Gives both creditors and employees some confidence that the business will continue beyond the death, disability or retirement of one of the owners.
- Creditors may be more willing to extend credit to a business with a funded business continuation plan in place.
- When using life insurance policies, owners can feel more confident that some or all of the dollars necessary to complete the buyout will be available at the death of an owner.<sup>1</sup>
- If cash value life insurance policies are used in the arrangement, the purchasing parties may opt to utilize any available cash values to assist in the purchase of the business interest at the retirement or withdrawal of one of the owners.
- Cash value within a life insurance policy may be accessed by the policyowner via policy loans, partial surrenders or withdrawals, subject to policy limitations and restrictions in the buy-sell agreement.<sup>2</sup>

## **TAX CONSIDERATIONS:**

- Death benefits paid under the policy to the named beneficiary are generally received income tax free.
- Premiums paid by the policyowner on any life insurance policy used in a buy-sell arrangement are not income tax deductible as a personal or business expense.
- Any growth in the life insurance policy cash value is income tax deferred until removed from the policy.
- Cash value within a life insurance policy may be accessed by the policyowner on a tax favored basis provided the policy is not a modified endowment contract.<sup>2</sup>
- If the insured possesses any ownership rights in the policy at death, or transfers such rights within three years of death, death benefits paid to the beneficiary will be included in the insured's gross estate.

## **Disclaimer**

The Genworth Financial companies wrote this content to help you understand the ideas discussed. Any examples are hypothetical and are used only to help you understand the ideas. They may not reflect your particular circumstances. You should carefully read your contract, policy, and prospectus (es), when applicable. What we say about legal or tax matters is our understanding of current law; but we are not offering legal or tax advice. Tax laws and IRS administrative positions may change. We did not write this material for use in avoiding any IRS penalty and neither you nor anyone else may use it for that purpose. You should ask your independent tax and legal advisors for advice based on your particular circumstances.

If this material states or implies that it was prepared or distributed to promote, market or recommend an investment plan or arrangement within the meaning of IRS guidance, or such use may be reasonably expected, then, as required by the IRS, the following also applies:

The tax information in this material was written to support the promotion or marketing of the transaction(s) or matter(s) addressed in this material.

<sup>1</sup> All guarantees are based on the claims-paying ability of the issuing insurance company.

<sup>2</sup> Policy loans, partial surrenders and withdrawals have the effect of reducing the death benefit and cash value. If amounts withdrawn or surrendered exceed the owner's basis in the policy or if a policy with an outstanding loan is surrendered, a taxable event may occur. A policy loan is generally not taxable unless the policy is surrendered with an outstanding loan balance. In certain highly funded cases, life insurance policies may be considered Modified Endowment Contracts (MECs). In such cases, distributions will be taxable income to the extent that there is gain in the contract. In addition, a 10% IRS penalty tax may be due on any taxable income received prior to age 59½.

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Genworth Financial companies include:

**Genworth Life and Annuity Insurance Company**, Richmond VA

**Genworth Life Insurance Company**, Lynchburg, VA

**Genworth Life Insurance Company of New York**, 666 Third Avenue, 9<sup>th</sup> Floor, New York, NY 10017

Only Genworth Life Insurance Company of New York is licensed in New York.

Variable products issued by Genworth Life and Annuity Insurance Company and in New York by Genworth Life Insurance Company of New York.

Principal Underwriter: Capital Brokerage Corporation (dba Genworth Financial Brokerage Corporation in Indiana)  
6620 West Broad Street, Building 2, Richmond VA 23230, Member FINRA/SIPC