

Will the right funding be there when you need it?

Make sure your buy-sell agreement does what you want. A properly funded, well-drafted agreement that reflects your goals and objectives can protect you during both planned and unplanned events including retirement, death, disability, divorce or termination.

Consequences of improper funding



Ownership structure:

Does the structure have a negative impact on taxation of benefits?



Adequacy:

Is there any funding?
If yes, is there enough?

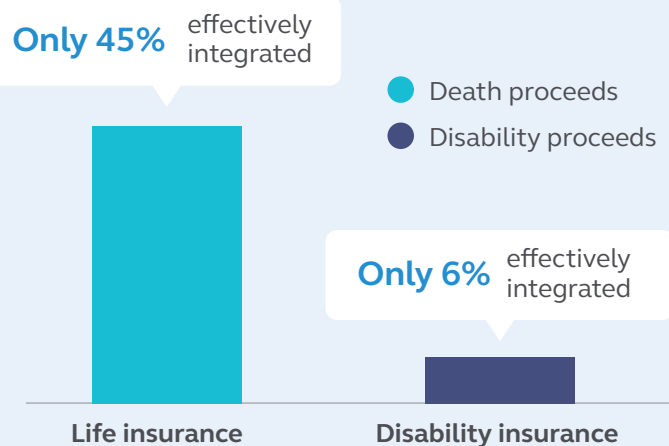


Funding integration with payment terms:

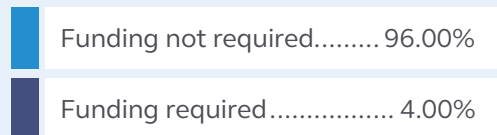
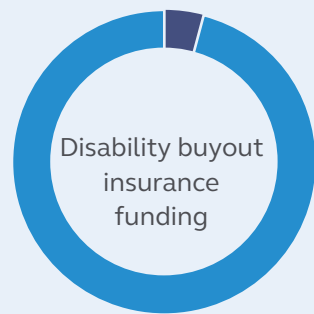
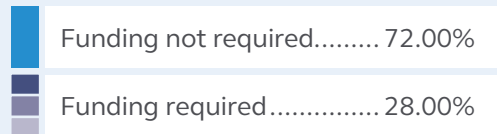
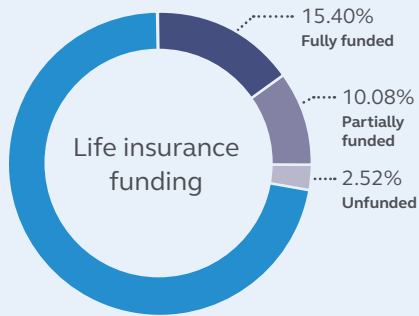
Are timing and liquidity in sync?

Do your agreement payment terms match your funding source?

In many buy-sell agreements, payment terms of the agreement are not effectively integrated with funding tools such as life and disability insurance. This creates a higher likelihood that a planned sale may not occur as intended.



Funding reality



Where will the money come from?

Cash



Requires sufficient cash flow to pay the full price in a lump sum

Loan



Involves unknown factors such as future credit availability and cost of borrowing; must repay borrowed funds (with interest) from earnings; a down payment is generally required

Savings



Does not assure that sufficient funds will be available when needed because of unpredictable departure timing

Installment sale



Requires repayment from earnings and is contingent on future success of business

Insurance



Purchased upon implementation of agreement and provides liquidity when needed even for the unpredictable nature of both death and disability

 [Learn more](#) | Contact your financial professional or go to principal.com.

Source: Review of 1,485 buy-sell reviews by Principal Financial Group®, January 1, 2011 - January 31, 2017.



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