

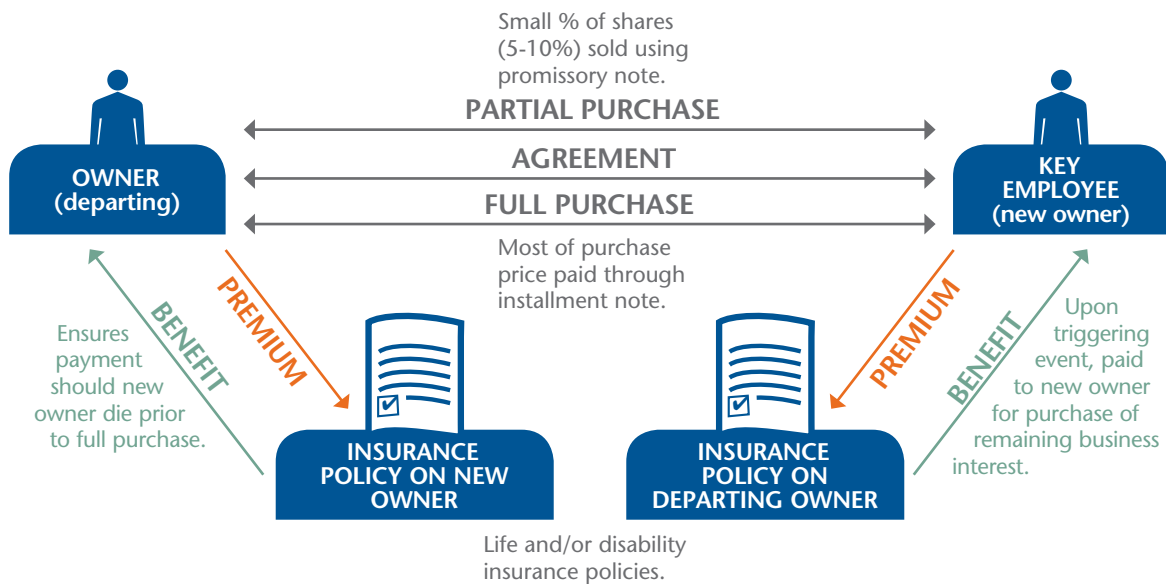
## Exit Planning

# Sole Owner Transition Plan

Businesses owned by one person, or two spouses with one spouse as the primary owner/manager, need to document plans for transferring business interests at retirement or in the event of an unplanned event such as death or disability. Often times, employees do not have the resources to purchase the business. This plan helps them acquire the business.

### How it works

Using installment notes, the key employee purchases a small percentage of the business and a buy-sell agreement is put in place. Then, upon a triggering event such as retirement, death or disability, the key employee is obligated to purchase the remaining business interest of the departing owner. Life insurance and disability insurance can help finance this purchase as well as protect the departing owner from the unexpected death or disability of the new purchasing owner.



POLICY DESIGN	
<b>POLICY OWNER</b>	Each owner owns a policy on the other.
<b>BENEFICIARY</b>	Each owner is the beneficiary of the policies he or she owns.
<b>PREMIUM PAYER</b>	Each owner pays premiums on policies he or she owns using after-tax dollars.

PLAN HIGHLIGHTS	
<b>BUSINESS</b>	<ul style="list-style-type: none"> <li>Not a party to the agreement</li> <li>Business may bonus premium payments</li> </ul>
<b>PURCHASING OWNER</b>	<ul style="list-style-type: none"> <li>Insurance proceeds received income tax free</li> <li>Surviving owner's cost basis in company increased by amount paid to departing owner (or heirs)</li> </ul>
<b>SALE UPON DEATH</b>	<ul style="list-style-type: none"> <li>Purchase price received generally does not cause taxable event due to step-up in cost basis</li> </ul>
<b>SALE UPON DISABILITY</b>	<ul style="list-style-type: none"> <li>Seller recognizes capital gain to extent purchase price exceeds cost basis</li> </ul>
<b>OTHER SALES</b>	<ul style="list-style-type: none"> <li>Seller recognizes capital gain to extent purchase price exceeds cost basis</li> </ul>



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