



## BUY-SELL PLANNING

# Uninsurable Shareholder Risk

Heirmark negotiates with many life insurance companies in an attempt to obtain the best possible offers from a variety of high quality insurance companies. By constantly surveying the marketplace and using our leverage from the M Financial Group we can often produce more favorable offer outcomes than a typical retail insurance agent.

Name	Best Underwriting Class	Insurance Carrier	Second Best Underwriting Class	Insurance Carrier
Partner #1	Standard NS	TIAA-CREF	Standard NS	Principal
Partner #2	Preferred Smoker	TIAA-CREF	Standard Smoker	AXA and John Hancock
Partner #3	Super Preferred NS	Met Life and John Hancock	Super Preferred NS	Voya and Minnesota Life
Partner #4	Declined	NA	Declined	NA

**Uninsurable Shareholder**



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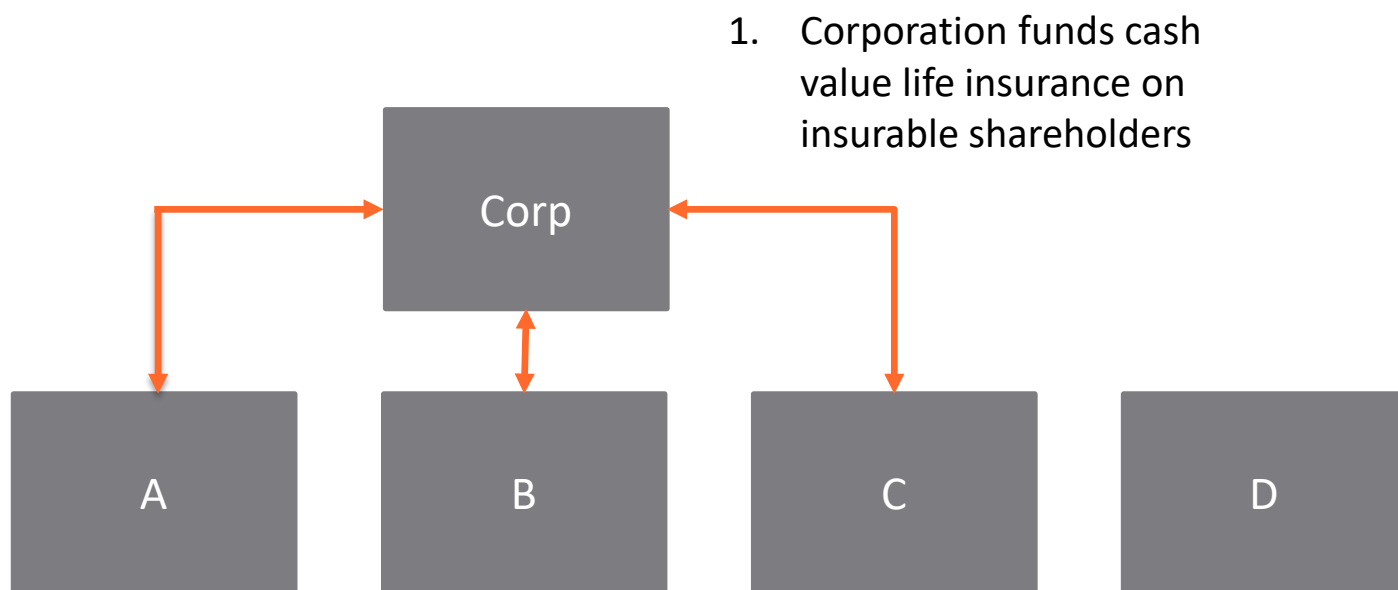
The impact of not being able to insure a shareholder falls primarily on the surviving shareholders. Unfortunately, it is also likely that the uninsured shareholder is probably the one who will trigger a buy-out first. Using permanent life insurance on the lives of the insurable shareholders may provide several key advantages to funding the buy-out of an uninsurable shareholder:

- Cash value accumulates inside a permanent life insurance policy on a tax-deferred basis.
- Cash value can be accessed at any point in time for any reason through policy withdrawals and loans.
- The build-up of cash values creates a source of capital or may be considered a “Side-fund” for at least a partial cash buy-out of the uninsured shareholder.
- Policies on the insurable shareholders may be increased (within limits) to eventually recoup future cost of funding the uninsurable risk.
- Many permanent policies have flexible premiums and funding elements so that changes can be made in the future should circumstances dictate.
- If lending rates are more favorable from a bank or other source, you can pledge cash value life insurance policies as collateral against these loans.



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2. Upon the death of the uninsured shareholder, corporation borrows against the cash values to help fund the buy-out

3. Careful monitoring and funding of the policies continues to assure a successful redemption of the other insurable shareholders in the future



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# Funding Analysis

6% Gross Return		Year 10	Year 20	Year 30
Insured	Premium	Cash Value	Cash Value	Cash Value
Partner #1	\$39,593	\$298,940	\$793,830	\$1,500,161
Partner #2	\$77,377	\$487,857	\$1,173,708	\$2,100,333
Partner #3	\$60,545	\$430,501	\$1,044,187	\$1,843,640
<b>Totals</b>	<b>\$177,515</b>	<b>\$1,217,298</b>	<b>\$3,011,725</b>	<b>\$5,444,134</b>

7% Gross Return		Year 10	Year 20	Year 30
Insured	Premium	Cash Value	Cash Value	Cash Value
Partner #1	\$39,593	\$316,844	\$898,043	\$1,861,767
Partner #2	\$77,377	\$519,521	\$1,353,967	\$2,754,765
Partner #3	\$60,545	\$456,869	\$1,197,719	\$2,376,308
<b>Totals</b>	<b>\$177,515</b>	<b>\$1,293,234</b>	<b>\$3,449,729</b>	<b>\$6,992,840</b>

*Illustrated pricing assumes TIAA-Cref MVUL product F50 preferred n/s, M51 preferred smoker and M50 Standard n/s. Not valid without life insurance illustrations showing important information about guaranteed & non-guaranteed values*



# Disclosures

This is for illustrative purposes only. The example provided is not representative of all clients' experiences and are not indicative of any future performance or results.

Post-Underwriting Analysis is based upon the informal underwriting offers obtained by Heirmark. Actual pricing is subject to final underwriting approval of a formal application, all carrier requirements, and product availability at the time of acquisition.

Illustrated pricing assumes indicated gender, smoking status, underwriting classes, issues ages, state of issue, interest rate assumptions, and in-force durations as specified in the presentation. To continue coverage beyond stated durations may require substantially higher premiums. Illustrated products and options shown based on product availability and pricing as of this date. Any product guarantees, including the death benefit, are subject to the claims paying ability of the issuing insurance company. This presentation is not complete without the accompanying illustrations. This information has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy. This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor or plan provider.

The policy values reflect current policy charges, current cost of insurance rates, current mortality and expense risk charges, average fund expenses and the stated hypothetical gross rate of return. The policy values are hypothetical for illustration purposes only. Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

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