

## What Type of Buy-Sell Plan Is Best for You and Your Business?

There are distinct advantages and disadvantages to each type of buy-sell plan. Changing personal and business circumstances can make it difficult to select the most appropriate plan.

The **“wait-and-see” buy-sell plan** can provide a solution to this dilemma. With this flexible buy-sell plan variation, the decision as to whether the business or the surviving owners will purchase a deceased owner's business interest is **deferred** until after the owner's death, at which time the “wait-and-see” buy-sell agreement generally provides for the following:

1. The **business** has the **first option** to purchase all or a portion of the deceased owner's business interest within a specified number of days.
2. If the business does not fully exercise its option, the **surviving owners** have the **option** to purchase all or the remaining balance of the deceased owner's business interest within a specified number of days.
3. Finally, the **business** is **required** to purchase any remaining balance of the deceased owner's business interest not previously purchased by the business or surviving owners.

There are several ways in which a “wait-and-see” buy-sell plan can be **funded with life insurance**:

- The **business** can purchase life insurance on all business owners and, if a cross purchase approach is ultimately implemented, it can loan the proceeds to the surviving owners.
- The **business owners** can purchase life insurance on each other, as in a cross purchase arrangement, and then loan the proceeds to the business if an entity purchase/stock redemption approach is determined to be most advantageous after an owner's death.