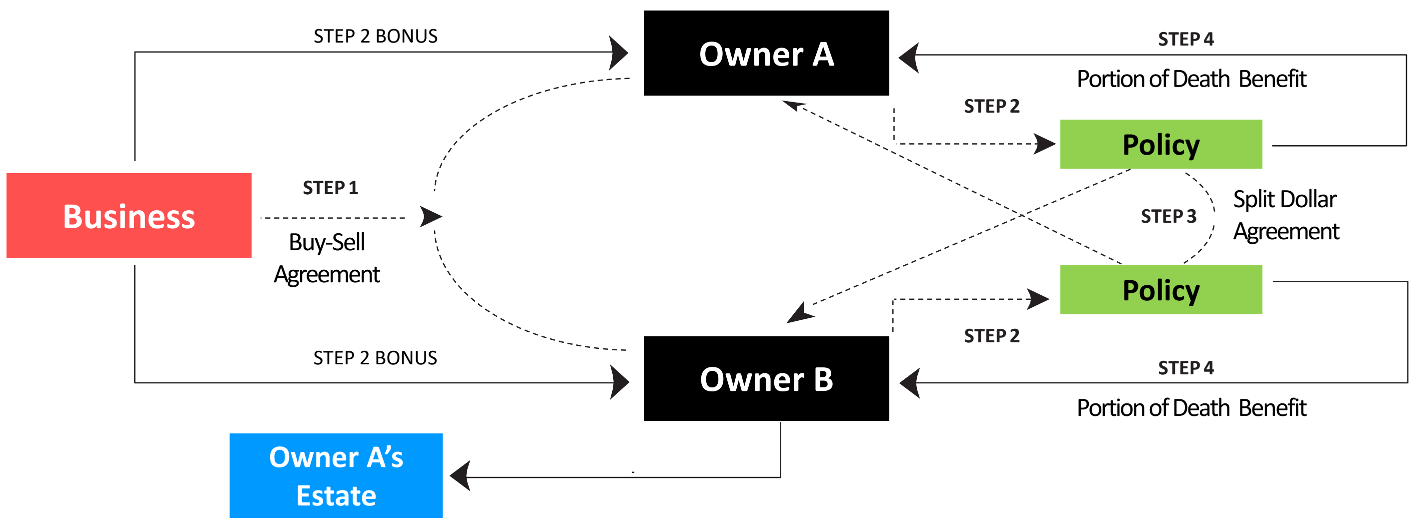
Hansen Brokerage Services
YOUR WEALTH PROTECTION TEAM



THE 5 STEP SOLUTION

STEP 1	The business value is determined. A buy-sell agreement is entered between the two business owners which specifies when owners can sell their interest, who can buy an owner's interest and what price will be paid.
STEP 2	The business establishes an executive bonus program to provide the owners with the means to fund the buy-sell agreement. Each owner then purchases a permanent cash value life insurance policy insuring his own life for an amount sufficient to purchase his interest in the business.
STEP 3	The owners then enter into a private split dollar agreement with each other. Under the agreement, a predetermined amount of the policy's death benefit is endorsed to the surviving business owner in exchange for that owner contributing a portion of the total policy premium.[1]
STEP 4	Upon the death of an owner, the surviving owner receives the income tax free death benefit from the deceased's policy due to the private endorsement Split Dollar arrangement. The surviving owner uses the funds to purchase the deceased's interest in the business, thus providing liquidity for deceased's survivors.
STEP 5	If both owners survive until retirement or the business is sold, the buy sell and split dollar agreements are terminated and each owner may use their personally owned policy for retirement and/or personal death benefit needs.[2]

[1] There are annual tax implications associated with a private split dollar agreement. As Owner A is receiving death benefits from Owner B, Owner A receives an economic benefit (the annual economic benefit is derived from a calculation based on the endorsed death benefit). Therefore, Owner A pays Owner B via personal check, the value of the economic benefit. Owner B reports the amount received from Owner B as taxable income.

[2] Distributions are generally treated first as a tax free recovery of basis and then as taxable income, assuming the policy is not a Modified Endowment Contract (MEC). However, different rules apply in the first fifteen policy years, when distributions accompanied by benefit reductions may be taxable prior to basis recovery. Non-MEC loans are generally not subject to tax but may be taxable when the policy lapses, is surrendered, exchanged or otherwise terminated. In the case of a MEC, loans and withdrawals are taxable to the extent of policy gain and a 10% penalty may apply if taken prior to age 59½. Always confirm the status of a particular loan or withdrawal with a qualified tax advisor. Cash value accumulation may not be guaranteed depending on the type of product selected. Investments in variable life insurance are subject to market risk, including loss of principal.

For more information contact Hansen Brokerage Services. 616-940-4004