

Life



Business solutions

from Midland National® Life Insurance Company

Buy-sell with life insurance

Protect the continuity of your business



For the **life** of your business

Buy-sell agreement funded with life insurance

Protect and extend the life of your business

From modest family operations to multi-billion dollar corporations, the death of an owner can seriously cripple a business. A buy-sell agreement allows for a smoother transition in ownership to the surviving owners.

Heirs

Without a buy-sell agreement, the heirs of a deceased owner will inherit that owner's shares of the company, yet they may not want to be a part of the business. A buy-sell agreement provides a buyer for their inherited business interest, freeing them from the burden of taking on a role as an owner. This also protects the business from shares being sold to someone outside the current ownership.

Surviving business owners

The surviving owners need to have funds available to buy shares from the heirs. Borrowing funds at expensive interest rates, liquidating business assets or using personal property as collateral to fund the purchase all have risk and negative impacts.

A life insurance solution

Life insurance is a cost-efficient and relatively simple way to fund a buy-sell agreement. Funding through life insurance is potentially guaranteed and is also generally tax free.

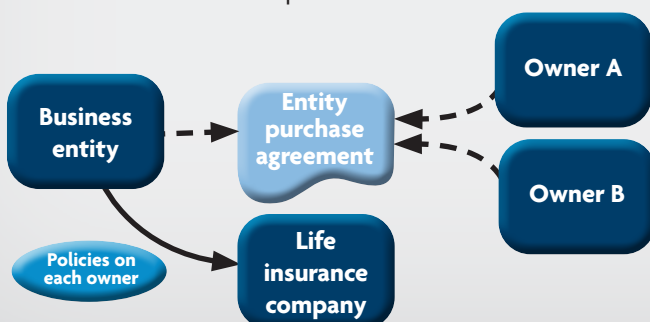
Also useful in retirement - If a properly-funded cash value life insurance policy is used to fund the buy-sell agreement, the policy's potential cash value could be used to help buy out a retiring owner.

How it works

Entity purchase agreement: two-owner business

The business purchases insurance on the lives of all the owners and is the owner, beneficiary, and premium payer on the policies.

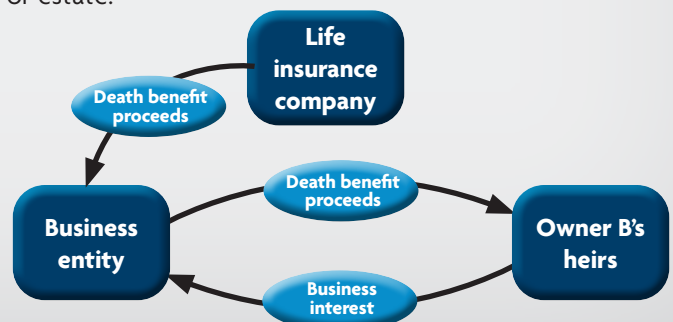
The amount of coverage on each owner is the value of the individual's ownership in the business.



At death of owner B

Upon the death of an owner, death benefit proceeds are paid to the business.

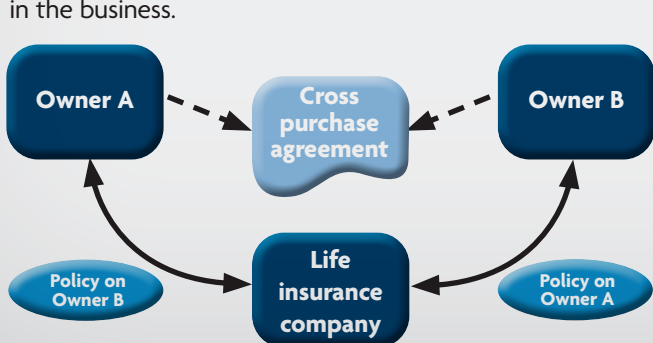
The death benefit proceeds are used to buy the deceased owner's interest in the business from the deceased's heirs or estate.



Cross purchase agreement: two-owner business

Individual owners agree to purchase each others' interest in the business and plan to use life insurance proceeds to fund the purchase.

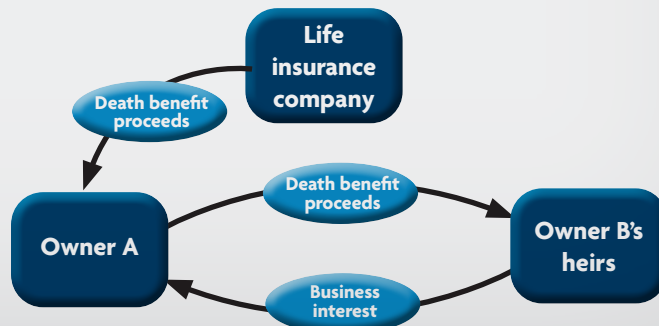
Each owner purchases a separate life insurance policy on each of the other owners. The total amount of coverage on each owner is the value of the individual's ownership in the business.



At death of owner B

Upon the death of an owner, death benefit proceeds are paid to each surviving owner.

The surviving owner uses the death benefit proceeds to purchase the deceased owner's share of the business.



Details

Feature	Entity purchase	Cross purchase
Description	A legal agreement between the business entity and individual business owners. The business buys a life insurance policy on each of the owners and is the beneficiary.	A legal agreement where the owners of a business agree to purchase each other's interest in the business. Each owner purchases a separate life insurance policy on each of the other owners. The surviving owners are the beneficiaries of the life insurance policy.
Premiums	The business pays the life insurance premiums.	The owners pay the life insurance premiums. The business can fund the premiums through a bonus plan. The owner-employee will be responsible to pay the federal income tax on the bonus.
Federal income tax	Life insurance proceeds are generally received free of federal income tax. However, if the policy does not meet the notice and consent provisions under IRS Code 101(j), proceeds in excess of the amount of premium paid will be included in the employer's income. Because the business is the beneficiary and has an interest in the tax-free death benefit, premium payments are not tax deductible.	Life insurance proceeds are generally received free of federal income tax.
Estate tax	The agreement would be relevant to setting the value of the business interest for federal estate tax purposes.	The agreement would be relevant to setting the value of the business interest for federal estate tax purposes.
Alternative Minimum Tax	For C corporations, the Alternative Minimum Tax (AMT) may apply to life insurance death benefit and cash value in excess of policy cost basis.	No corporate Alternative Minimum Tax. The business does not own the policy, so proceeds are not subject to the corporate AMT.
Creditors	The policies (and their cash values) are subject to the claims of the business' creditors.	The policies (and their cash values) are not subject to claims of the business' creditors. The policies are not owned by the business so they are not business assets.
Heirs	Heirs receive a pre-determined price for the deceased's share of the business.	Heirs receive a pre-determined price for the deceased's share of the business.
Retirement of an owner	The business could pay additional premium to help grow the policy's cash value. The business could potentially buy the retiring owner's shares through withdrawals and policy loans ¹ from the policy's cash value.	Owners could pay additional premium to grow the policy's cash value. Owners continuing with the business could potentially buy the retiring owner's shares through withdrawals and policy loans, ¹ or use the cash value to help supplement retirement income.

Make sure you protect and extend the life of your business.

Here's how to start:

1. Document all business owners, the estimated business value, and each owner's percentage
2. Work with a financial professional to determine the right amount of coverage needed before applying for life insurance
3. Meet with your attorney to draft a buy-sell agreement

Talk to your financial professional today!

Choose **Midland National** for your life insurance protection.

Strength and stability since 1906

With over 115 years of business under our belt, Midland National's continued and consistent financial strength is a result of our conservative and disciplined investment strategy, our private ownership structure, and doing what is right for our policyowners.

Privately owned and customer focused

As a privately owned company, Midland National is not subject to the short-term earnings pressures that publicly held companies often face. We are a company with plans to perpetuate itself for hundreds of years, not the next quarter or the next fiscal year. We focus on the long term. We focus on you.

High ratings for financial strength

Independent agency ratings provide a vital picture of an insurer's ability to keep its commitments to you, the customer. As a company, we've received A+ marks from A.M. Best, Fitch Ratings, and S&P Global Ratings.² These ratings are based on financial strength, operating performance, and the ability to meet our obligations to our policyowners and contract holders. Our consistently high ratings show that with Midland National, you aren't just buying a product. You're buying a commitment to you and your family.



Contact your Midland National financial professional **today**
to help you develop a plan that is tailored to your specific needs.

1. Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

2. A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to contract holders. A+ (Superior) is the second highest rating out of 15 categories, and was affirmed for Midland National Life Insurance Company as part of Sammons Financial Group on July 30, 2021.

S&P Global Ratings awarded its "A+" (Strong) rating for insurer financial strength on February 26, 2009 and affirmed on June 2, 2021, to Midland National Life Insurance Company as part of Sammons Financial Group. The A+ (Strong) rating, which is the fifth highest out of twenty-two, reflects the financial strength of Midland National Life Insurance Company, member of Sammons Financial Group.

A+ Stable Rated by Fitch Ratings. Fitch Ratings, a global leader in financial information services and credit ratings, on December 14, 2021, assigned an Insurer Financial Strength rating of A+ Stable for Midland National. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the Fitch Ratings Report at <https://www.fitchratings.com/research/insurance/fitch-affirms-sammons-financial-group-ratings-outlook-stable-14-12-2021>.

Neither Midland National nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

The term financial professional is not intended to imply engagement in an advisory business in which compensation is not related to sales. Financial professionals that are insurance licensed will be paid a commission on the sale of an insurance product.

Insurance products issued by Midland National Life Insurance Company, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Products, features, riders, endorsements, or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including Midland National® Life Insurance Company. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, Midland National Life Insurance Company.

