Lincoln Financial Group®
You're In Charge®

Buy-sell funding and personal planning in one solution

Lincoln *LifeComp*® FlexKey℠ strategy for business owners

As a business owner, you have many demands on your day. Retirement and the transition of your business seems far into the future. With proper buy-sell planning, you can help ensure business continuity and meet personal financial goals.

A common way to accomplish this is by funding a cross-purchase buy-sell agreement with life insurance. Typically with cross-purchase arrangements, each business owner purchases life insurance on the lives of co-owners. While this can provide liquidity to purchase the business interest if your partner or co-owner dies, it does little to address your personal planning needs.

Things to consider in funding your buy-sell agreement

Typically when your agreement is funded with life insurance, the policy on your life does not belong to you. Instead, your co-owner(s) or the business will generally own the policy. You should consider that:

- This creates a challenge on how to easily and tax-efficiently transfer ownership of the policy to you once the buy-sell agreement is no longer needed.
- When you own a policy on your co-owner's life and not your own, you are paying premiums based on their mortality, not yours. This means you may be paying significantly more for coverage on someone else.
- With traditional cross-purchase arrangements, each business owner owns a life insurance policy on each of the co-owners, creating the need for multiple policies.

Did you know?

When a business has more than one owner, the odds of death before age 65 increase dramatically.

Age 45	Male	Female
One business owner	13.0%	13.0%
Two business owners	24.2%	19.6%
Three business owners	34.1%	27.9%

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

A smart approach with options for you and your business

A differentiated solution for you and your business may be a *Lincoln LifeComp*® FlexKey^{CP} plan. This turnkey plan design is a split-dollar arrangement that enables you to own your own permanent life insurance policy. So you get the best of both worlds—a solution to fulfill your obligations of the buy-sell agreement and an asset for your personal planning needs.

You're in control with *Lincoln LifeComp* FlexKey^{CP}

Because you own your policy, you'll have a tax-advantaged strategy to:

- **Fund a buy-sell arrangement**
- **Provide personal survivor benefit protection**
- **Have access to tax-advantaged policy cash value to supplement income for retirement or other needs**

A unique buy-sell solution with added flexibility

With a *Lincoln LifeComp* FlexKey^{CP} plan, you can have a cost-effective buy-sell solution and avoid some of the challenges of other planning options because:

- You pay mortality risk on your own life, not your co-owner(s).
- Only one policy is needed per owner, eliminating the need for multiple policies that are required with more than two owners in traditional cross-ownership arrangements.
- It gives you a solution that can help you meet business and personal objectives with one policy.
- There is no need for policy transfer after the business purchase agreement is terminated. You already own your own policy.

Our patented Lincoln *LifeComp* system[1] makes it easy to implement and maintain your funding arrangement.

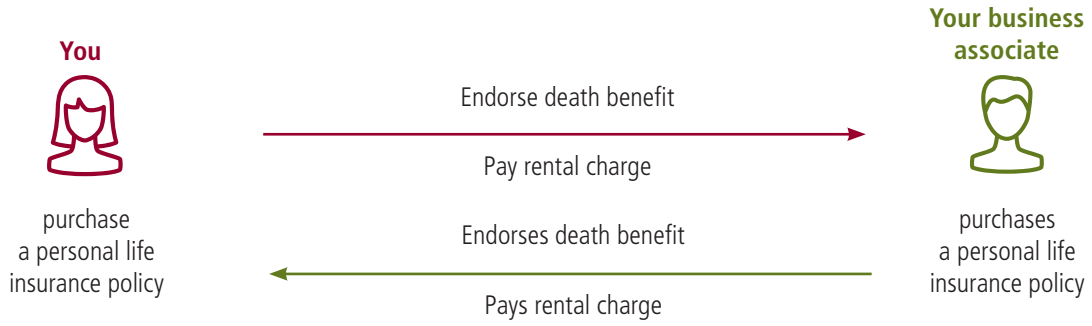
For a modest annual fee, you can ensure proper plan design is followed[2] and make plan monitoring a breeze. You'll get:

- Turnkey, plan-specific administrative and accounting services
- Unique fill-in-the-blank plan documents for endorsement of death benefit to be used with your outside buy-sell agreement

[1] U.S. Patent 7,877,303.

[2] These documents are not a substitute for tax or legal advice. Your should consult with your own advisors about your particular situation.

How the strategy works



- **You and your associates enter into a buy-sell agreement.** If you are a sole owner, then you would enter into a unilateral, or one-way, buy-sell agreement.
- **You purchase a Lincoln life insurance policy on your own life** to help provide funding for the business buy-sell obligation created by the business purchase agreement. Your associates do the same.
- **You each agree to endorse a specific death benefit amount to one another** to help satisfy the buy-sell obligations of the business purchase agreement. Think of the endorsement as renting the death benefit to your business associate(s).
- **The rental charge is payable to the owner of the policy** and is calculated using either government provided rates or Lincoln's annual renewable term rates, which are typically low in cost and increase each year based on the insured's age.
- **If you die, the death benefit you have endorsed to your associates will be paid to them, generally income tax-free**, and they will use those proceeds to buy your business interest from your family or estate. Your personal beneficiary will receive any non-endorsed death benefit proceeds, which are never less than the greater of your premiums paid or your cash surrender value.
- **If you leave the business and the business purchase agreement is terminated,** you can terminate the endorsement and use the policy for your own needs.

Talk with your advisor about what's important to you

As a business owner, you know what it takes to be successful, and you worked hard to build your business. Planning to protect your business investment starts with having a conversation about your concerns, including:

- Being able to efficiently transfer your business interest
- Protecting your family's income
- Receiving a fair price for your business interest
- Assuring business continuity

Advantages and considerations

- Benefits of personal policy ownership:
  - Ability of each owner to structure their premium based on their own planning goals and objectives
  - Generally income tax-free personal death benefit for survivor benefit or estate liquidity as well as generally income tax-free death benefit proceeds are available for business purchase in one policy
  - Potential funding for a living buy-out or supplemental income through tax-deferred cash value growth and tax-advantaged policy loans or withdrawals*
  - No need for policy transfer after business purchase agreement ends
  - Each owner is responsible for paying premiums on their own life.
- The *Lincoln LifeComp* optional patented plan administration system will calculate and report the economic benefit costs for up to eight endorsements from one policy if there are multiple-owner cross-purchase arrangements!
- Surviving owners receive full basis credit for the purchase of the business interest to minimize or eliminate capital gains exposure.
- Each owner is personally responsible for premium payment and economic benefit costs.
- Rental income received will be subject to ordinary income taxes under the 2003 Final Split-Dollar Regulations.

*Accessing policy cash values through loans and withdrawals will reduce the policy's cash value and death benefit, may cause the policy to lapse, and may have tax implications.

Feel confident about protecting your business and your personal interests. Ask your advisor about a Lincoln *LifeComp*® FlexKey^CP plan.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

LincolnFinancial.com

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN-1900379-091917
POD 10/17 **Z01**
Order code: LIF-FKCP-FLI001

Important information:

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives and/or insurance agents do not provide tax, accounting or legal advice. Please consult your own independent advisor as to any tax, accounting, or legal statements made herein.

Lincoln life insurance policies are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so.**

Policies sold in New York are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer.

***LifeComp*® FlexKey^CP is offered only by specially trained representatives of Lincoln.**

All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

Products available may include market risk including possible loss of principal. Products, riders and features are subject to state availability. Limitations and exclusions may apply.