Case study

Protecting a family business with a buy-sell agreement

Client profile

Names:
James and Robert

Ages:
47 and 42

Business:
Family-owned manufacturing company

Location:
Rochester, NY

Policy type:
20-year OPTerm policy

Coverage amount:
$5 million per owner

Rate class:
Preferred Plus

Monthly premiums:
James (47): $500.65
Robert (42): $300.05

Annual premiums:
James (47): $5,889.95
Robert (42): $3,529.95

Background

James and Robert grew up watching their father build a successful manufacturing business from the ground up. As third-generation owners, they had dedicated their careers to ensuring the company thrived. When their father retired, they officially took over as equal partners, each owning 50% of the business. They were committed to innovation and growth, but they also understood that unexpected events could put their company — and their families — at risk.

Challenge

As joint owners, James and Robert faced a crucial question: What happens to the business if one of them were to pass away unexpectedly? Without a clear plan, the surviving brother could face a number of issues:

- **Financial strain** attempting to buy out the deceased's share.
- **Family disputes** over business ownership.
- **Risk of external interference** if an heir decides to sell their inherited share to an outside party.
- **Operational disruptions**, causing potential revenue loss and instability.

They needed a solution that would guarantee the company remained in the family while ensuring financial security for both parties.

Solution

William Penn Life Insurance Company of New York, a Legal & General America company, provided a term life insurance policy as support for their buy-sell agreement to help ensure a seamless ownership transition if one partner were to pass away.

Protecting a family business with a buy-sell agreement

Client profile

Names:
James and Robert

Ages:
47 and 42

Business:
Family-owned manufacturing company

Location:
Rochester, NY

Policy type:
20-year OPTerm policy

Coverage amount:
$5 million per owner

Rate class:
Preferred Plus

Monthly premiums:
James (47): $500.65
Robert (42): $300.05

Annual premiums:
James (47): $5,889.95
Robert (42): $3,529.95

Each brother secured a 20-year, $5 million term life insurance policy, naming the other as both the policy owner and beneficiary. In the event of one brother's passing, the surviving partner would receive the insurance payout, which could be used to purchase the deceased's share of the business from their estate — eliminating the need for loans, asset liquidation or outside investors.

Key benefits of the solution:

- **Business continuity:** The company could continue operating without financial stress.
- **Ownership protection:** The surviving partner retained full control of the business.
- **Financial security:** The deceased owner's family received fair compensation for their inherited business interest.
- **Tax efficiency:** Life insurance proceeds are typically tax-free, ensuring a smooth buyout process.

Outcome

By implementing a buy-sell agreement backed by William Penn, James and Robert safeguarded their business from potential disruptions and ensured a clear succession plan. The strategy guarantees that if one of them passes away, the surviving partner can maintain full ownership without financial hardship, while the deceased owner's family receives fair value for their share.

With this proactive approach, James and Robert have secured their company's future, protecting both their legacy and their families while ensuring the business remains in trusted hands for generations to come.

Key takeaways

- ✓ **Ensures seamless business transition in the event of an owner's death.**
- ✓ **Eliminates financial burden for the surviving partner.**
- ✓ **Prevents family disputes and external ownership risks.**
- ✓ **Provides financial security to the deceased owner's family.**

Plan for your business's future

If you're a business owner, having a well-structured buy-sell agreement backed by life insurance is essential. Let's discuss how you can protect your business, your family and your legacy.

Legal & General
WILLIAM PENN

Characters are not actual Legal & General America clients. Stories created for illustrative purposes only.

Legal & General America life insurance products are underwritten and issued by Banner Life Insurance Company, Urbana, MD and William Penn Life Insurance Company of New York, Valley Stream, NY. Banner Life products are distributed in 49 states and in DC. William Penn products are available exclusively in New York; Banner Life is not an authorized New York insurer and does not do business in New York. The Legal & General America companies are part of the worldwide Legal & General Group. OPTerm policy form # ICC21-DTCV and state variations. Premiums are guaranteed to stay level for the initial term period and increase annually thereafter. Premiums quoted include $90 (Banner Life) and $80 (William Penn) annual policy fee. Premiums based on – preferred plus non-tobacco, preferred non-tobacco, standard plus non-tobacco, standard non-tobacco, preferred tobacco or standard tobacco underwriting classes. Rates as of 03.01.2024. Two-year contestability and suicide provisions apply. A one-year suicide provision applies in CO, MO, and ND. Policy descriptions provided here are not a statement of contract. Please refer to the policy forms for full disclosure of all benefits and limitations. CN06122025-7