

How it Works

**Buy-Sell Arrangement
Cross Purchase**

1. Business owners enter into an agreement obligating the survivor to purchase the decedent's interest and obligating the decedent's estate to sell.

Business Owner A

Business Owner B

2. Each business owner purchases and is the policy owner, premium payer and the beneficiary of a life insurance policy on the other.

3. At the death of an insured business owner, the surviving owner(s) receives the policy proceeds – generally income tax-free under IRC §101(a).



Insurance Company

4. The surviving business owner uses the proceeds of the policy to purchase the decedent's business interest from the estate.

Business Owner A

Business Owner's B Estate

5. The estate transfers the deceased's business interest to surviving owner.