



Succession Planning

Jack O'Malley is 50 years old and has been a farmer his entire life. His son, Larry, who is 28, has farmed with Jack for the past six years. Jack's other three children are not interested in joining their father in his profession and have taken different career paths. Larry has already purchased one farm of his own, and Jack wants to someday pass the O'Malley family farm on to his son.

Jack's insurance agent suggested a succession plan using life insurance, where Larry could use the benefits of the policy in the event of Jack's retirement, or his untimely death, to purchase the farm and pay Jack's other children their interest in the family farm upon his death.

- **Situation: Larry can purchase a No-Lapse Guarantee life insurance policy on his father's life with premiums payable for 15 years. At that time Jack will be 65 years old, his planned retirement age. A premium of just under \$14,000 for 15 years will guarantee the death benefit to age 121 for Jack.**

■ Solution: Advantage Builder Series III with the Wellness for Life® Rider v2

Male, age 50, standard, non-tobacco

\$13,462 annual premium until age 65, \$600,000 initial face amount

End of Year	Age	Annual Outlay	Non-Guaranteed Cash Surrender Value	Non-Guaranteed Death Benefit
1	51	\$13,462	\$0	\$600,000
10	60	\$13,462	\$131,678	\$600,000
15	65	\$13,462	\$249,582	\$600,000
16	66	\$0	\$264,520	\$600,000
20	70	\$0	\$332,269	\$600,000
30	80	\$0	\$627,898	\$659,292
33	83	\$0	\$776,124	\$814,930
40	90	\$0	\$1,262,742	\$1,325,879
50	100	\$0	\$2,516,294	\$2,566,620

Pay the no-lapse guarantee premium years 1-15 (Jack gifts half of the premium to Larry)

Projected cash values that Larry may use as collateral for a loan or to borrow from

Death benefit that Larry will use to buy-out his siblings' interest in the farm at Jack's death and fulfill the purchase agreement

Death benefit begins increasing at age 77 and is over \$2 million at age 100

■ **Conclusion:** The benefits of the life insurance policy in this instance are two-fold. In the event Jack dies before he retires at age 65, the policy's death benefit would allow Larry to buy-out his siblings and continue the family farm. If Jack lived beyond age 65, Larry could use the policy's cash value to buy out his father's interest or could transfer the policy to Jack in partial satisfaction of the purchase price. Jack can then use the policy for his own cash flow or estate planning purposes.