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NATIONWIDE® BUSINESS SOLUTIONS GROUP

Meet more of your clients' business protection needs

Key-person and buy/sell planning with a high-cash-value policy

Many business owners need life insurance to formally fund their key-person and buy/sell strategies, and if you structure things appropriately, one policy may cover both needs at the same time. For businesses that have to maintain large amounts of liquid assets, consider using a high-cash-value universal life policy to help you fulfill these needs, and more.

Let's look at a sample case

A commercial construction company had a large term policy on its owner and founder. It covered two important needs — key-person protection and buy/sell funding. The death benefit would help compensate the company for the loss of the owner in the event of his untimely death, and it would also help the company buy back his stock according to the buy/sell agreement.

- The term policy had a \$10 million death benefit
- The annual premium on the term policy was \$30,375
- The premium is a net expense to the company

There may be a more efficient way to achieve these objectives

Because large commercial construction businesses have substantial bonding requirements, the company had to keep a lot of liquid assets on its balance sheet. By replacing the term policy with a \$10 million Nationwide® Future Executive UL policy, the company would be able to reposition those liquid assets into it and implement a solution that could provide all of this:

- Key-person protection to help compensate for the loss of the owner
- Buy/sell agreement funding to help buy back the company stock at the owner's death
- An improved financial position; the company may book the cash surrender value of the new policy as an asset (i.e., other assets — cash surrender value life insurance), which results in a net gain
- A better rate of return; instead of the .25% to .50% it had been earning on the liquid assets where they were, the company could now earn a 1.42% rate of return on the cash surrender value in the life insurance policy, net of all fees in Year 1

Take a closer look at the numbers

After weighing its options, the company moved forward and funded its key-person and buy/sell arrangements with the Nationwide Future Executive UL policy. It paid a \$651,880 annual premium for seven years, repositioning a total of \$4,563,160 and earning a higher rate of return. And it still maintained the required liquid assets for bonding, since it had access to the cash surrender value in the policy.

	GUARANTEED				NON-GUARANTEED		
		Guaranteed interest rate: 2.00%	Guaranteed charges		Current interest rate: 3.85%	Current charges	
Year	Age	Net outlay	Cash surrender value	Net death benefit	Cash surrender value	Net death benefit	Accumulated IRR
1	55	651,880	429,598	10,000,000	661,159	10,000,000	1.42%
2	56	651,880	863,125	10,000,000	1,333,291	10,000,000	1.50%
3	57	651,880	1,303,316	10,000,000	2,014,484	10,000,000	1.49%
4	58	651,880	1,750,237	10,000,000	2,704,643	10,000,000	1.47%
5	59	651,880	2,203,924	10,000,000	3,402,267	10,000,000	1.43%
6	60	651,880	2,731,280	10,000,000	4,134,559	10,000,000	1.59%
7	61	651,880	3,267,113	10,000,000	4,882,075	10,216,268	1.69%
8	62	0	3,206,541	10,000,000	4,967,216	10,102,991	1.70%
9	63	0	3,135,164	10,000,000	5,049,942	10,000,000	1.69%
10	64	0	3,051,935	10,000,000	5,122,421	10,000,000	1.66%
11	65	0	2,955,845	10,000,000	5,197,707	10,000,000	1.63%
12	66	0	2,845,852	10,000,000	5,288,288	10,000,000	1.65%
13	67	0	2,720,504	10,000,000	5,447,397	10,000,000	1.78%
14	68	0	2,578,111	10,000,000	5,613,763	10,000,000	1.90%
15	69	0	2,416,089	10,000,000	5,787,763	10,000,000	1.99%
16	70	0	2,230,664	10,000,000	5,969,798	10,000,000	2.08%
17	71	0	2,016,421	10,000,000	6,156,296	10,000,000	2.16%
18	72	0	1,767,511	10,000,000	6,346,978	10,000,000	2.22%
19	73	0	1,479,110	10,000,000	6,541,902	10,069,343	2.27%
20	74	0	1,145,136	10,000,000	6,740,647	10,147,699	2.32%
Total		4,563,160					

This example is hypothetical and not intended to represent any specific client or client situation. The assumptions we used are for illustrative purposes; actual results may vary. It is based on Nationwide Future Executive UL, which is not available in every state. It reflects regular issue underwriting and unisex rates for an insured age 55 and Preferred Nontobacco at issue. It also reflects Death Benefit Option 1 (Level), a 100% Accumulation Component and a 0% Death Benefit Component.



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If you're a brokerage general agent, call our BGA Sales Team at 1-888-767-7373.



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Be sure to choose a strategy and product that are suitable for the long-term goals of both the business and employees. Life insurance has fees and charges associated with it, which include costs of insurance and administration fees.

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