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STREZA** &  
LLP  
Attorneys at Law

ESTATE PLANNING  
BUSINESS PLANNING  
INCOME TAX PLANNING  
CHARITABLE SECTOR  
MERGERS & ACQUISITIONS



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# Using Life and Disability Insurance for Business Planning

Presented to  
Agents Helping Agents IV

March 30, 2018

Presented by:

Derek Early  
Attorney

Sanaz Jahangard  
Attorney

Brown & Streza LLP  
Attorneys at Law

## Protecting your treasure for good, because life is more than wealth!

Brown & Streza LLP is a law firm providing exceptional, integrated legal services in the areas of tax, estate, business, and charitable planning, mergers and acquisitions, business succession planning, estate administration, real estate and emerging growth. We serve families, businesses, entrepreneurs, investors, philanthropists, and charitable organizations. We provide caring service, deep expertise, innovative solutions, and a stable, professional, and well respected staff while embracing and communicating that *life is more than wealth*.

We serve the individual needs of our clients, staff, and professional advisors by investing in education and long-term relationships based upon loyalty and integrity.

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### Business Planning

We offer a full suite of services to help plan your business, from the strategic process of forming a company to the transfer

### Charitable Sector

- Exempt Organizations
- Planned Giving
- Private Foundations
- Religious Organizations
- Social Enterprise

### Estate Planning

Are you making the right choices for your estate?

- Estate Planning
- Estate Administration

### Income Tax Planning

We can help you develop and implement comprehensive strategic plans to minimize overall tax liability and maximize retained wealth

### Mergers & Acquisitions

Our Mergers & Acquisitions department represents entrepreneurs and business owners in their quest to sell or acquire a company



**DEREK EARLY**

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**PRACTICE AREA:** Business Planning, Real Estate and Mergers & Acquisitions

Derek Early's practice is focused on business planning, succession planning, corporate governance, contracts, commercial real estate, and mergers and acquisitions. He frequently collaborates with the firm's tax and estate planning attorneys and clients' advisors to execute complex transactions and engage in strategic planning that result in significant benefits for clients.

Derek performs general counsel work for numerous privately held companies. These companies range in size from single owner/operator businesses to sophisticated enterprises with thousands of employees, and Derek regularly assists these clients with entity selection, designing and refining corporate governance structures, contract review and preparation, buy-sell agreements, succession planning, risk management, and compliance. He also represents buyers and sellers in mergers and acquisitions, where he places particular emphasis on tax planning and structuring.

Derek's extensive commercial real estate experience primarily relates to retail shopping centers. He has represented both landlords and tenants in numerous lease negotiations, and frequently assists clients with sales transactions and financings.

Before joining Brown & Streza LLP, Derek handled both litigation and transactional matters in the areas of corporate law, commercial law, real estate law, and employment law. Although his practice is now devoted solely to transactional matters, he previously litigated a number of business disputes and employment issues, including wage and hour class actions, providing him with an understanding of clients' risks and concerns relating to the litigation process.

During law school, Derek was a Managing Editor for the Indiana Law Journal and President of the Sports & Entertainment Law Society. He also assisted non-profit organizations through the school's Non-Profit Legal Clinic and researched and wrote extensively on NCAA compliance issues for the Indiana University Athletics Department.

In 2000, Derek won an Ivy League Championship as a member of the University of Pennsylvania's football team.



**SANAZ “SUNNY” JAHANGARD**

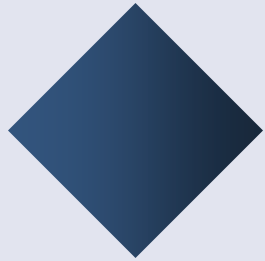
**E-MAIL:** [Sanaz.Jahangard@brownandstreza.com](mailto:Sanaz.Jahangard@brownandstreza.com)

**PRACTICE AREA:** Business Planning, Tax Planning, and Mergers & Acquisitions

Sanaz “Sunny” Jahangard is an attorney in the business planning department, representing companies from all industries. Sunny understands the unique and complex dynamics of closely held businesses and helps her clients successfully navigate the competing goals of financial growth and harmony amongst owners. As a successful former business owner, Sunny has confronted many of the same challenges her clients encounter and can easily relate to them. She applies her inherent business understanding and experiences when providing business and tax planning.

Sunny frequently represents clients in succession planning, joint ventures, tax planning, commercial transactions, employment matters, real estate transactions, and mergers & acquisitions. Her experience includes negotiating and drafting key project documents and advising on complex tax issues. Sunny often works closely with other advisors, such as accountants, valuation experts, financial planners, and bankers to provide comprehensive services that benefit her clients.

Sunny is fluent in Farsi and German. She enjoys spending time with her family and traveling.



# Type of Buy-Sell Agreements

## 1. REDEMPTION

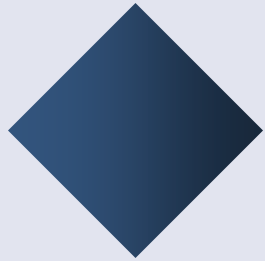
Corporation repurchases stock from shareholders upon the happenings of a terminating event.

## 2. CROSS PURCHASE

Shareholders purchase stock from each other upon the happening of a terminating event.

## 3. WAIT & SEE BUY-SELL

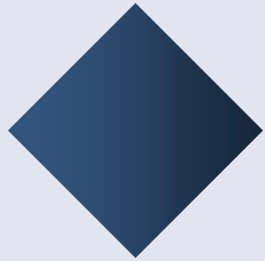
If terminating event occurs, the corporation has the first right to buy stock. If the corporation does not buy, the continuing shareholders *MUST* buy the stock.



# Case of \$1,000,000 Purchase Without Life Insurance

## *With Financing*

Purchase Price	\$1,000,000
Financing Cost (5 years at 10%)	\$274,820
Tax Cost At 30% Tax Rate	\$546,351
<b>Total Cost</b>	<b>\$821,171</b>
<b>Revenue Needed:</b>	<b>\$1,821,171</b>



# Case of \$1,000,000 Purchase Without Life Insurance

## *Without Financing*

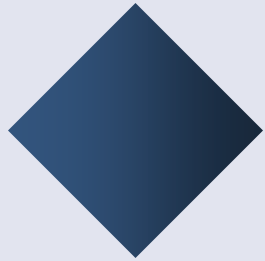
Purchase Price \$1,000,000

Tax Cost At 30%

Tax Rate \$428,571

**Revenue Needed: \$1,428,571**





# Redemption

Decedent

Computation of Tax

Sale of Stock

Tax Basis < \_\_\_\_\_ >

Gain X 30%  
Tax Rate \_\_\_\_\_

Heirs

Other Consequences:

Insurance Company

Survivor

Sale of Stock

Sale of Stock

Tax Basis < \_\_\_\_\_ >

Gain X 30%  
Tax Rate \_\_\_\_\_

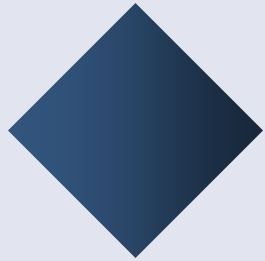
Net Sale Proceeds

**\$2,000,000 Value Corporation**

**Shareholders**

# 1

# 2



# Redemption

Insurance Company

Decedent

Survivor

Computation of Tax

Sale of Stock

Sale of Stock **\$1,000,000**

Sale of Stock **\$2,000,000**

Tax Basis **< \$1,000,000 >**

**\$2,000,000 Value Corporation**

Tax Basis **< \$50,000 >**

Gain X 30% Tax Rate **0**

Gain X 30% Tax Rate **\$585,000**

Tax Rate

Tax Rate

Shareholders

Net Sale Proceeds **\$1,415,000**

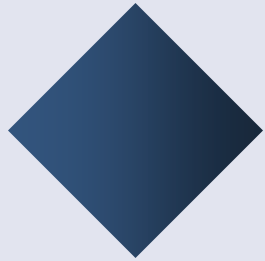
Heirs **\$1,000,000**

~~# 1  
\$50,000~~

# 2  
\$50,000

Other Consequences:  
**Preference Items for AMT**

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# Cross Purchase

Decedent

Computation of Tax

Sale of Stock

Tax Basis < \_\_\_\_\_ >

Gain X 30%

Tax Rate \_\_\_\_\_



Insurance Company

Survivor

Sale of Stock

Sale of Stock

Tax Basis < \_\_\_\_\_ >

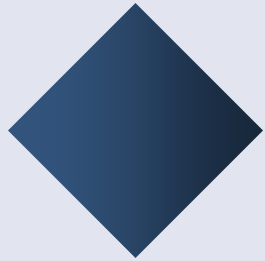
Gain X 30%

Tax Rate \_\_\_\_\_

Net Sale Proceeds

Heirs

Other Consequences:



# Cross Purchase

## Decedent

Computation of Tax

Sale of Stock **\$1,000,000**

Tax Basis <**\$1,000,000**>

Gain X 30%

0

Tax Rate

**\$2,000,000 Value Corporation**

**Shareholders**

Heirs **\$1,000,000**

Other Consequences:

**None**

~~# 1  
\$50,000~~

# 2  
\$50,000

**Insurance Company**

## Survivor

Sale of Stock

Sale of Stock **\$2,000,000**

Tax Basis <**\$1,050,000**>

Gain X 30%

**\$285,000**

Tax Rate

Net Sale Proceeds **\$1,715,500**

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