

# > Business Planning Strategies

## USING THE GUARANTEED REFUND OPTION RIDER

Life insurance can be an important planning tool for business owners. The Guaranteed Refund Option rider,<sup>1</sup> available at no additional cost on qualifying Guaranteed Universal Life (GUL) and Guaranteed Universal Life Plus (GUL Plus) policies, provides flexible options for business owners who are planning for the future of their company.

Here are three scenarios in which our GUL or GUL Plus policy with a Guaranteed Refund Option rider can benefit your business clients:

### KEY PERSON INSURANCE

The loss of a key employee's skills can put a business at serious financial risk. Life insurance plays an important role in protecting a business if the key employee dies unexpectedly.

But, what happens if the employee chooses to leave? With the Guaranteed Refund Option, the business owner has the option to surrender the policy during one of the three 60-day windows and receive their premiums back – up to 50 percent at the end of year 15 and up to 100 percent at the end of years 20 and 25.<sup>2</sup>

### CROSS-PURCHASE BUY-SELL ARRANGEMENTS

With a cross-purchase buy-sell, an owner can purchase a deceased owner's share of the business at a previously agreed upon price. When using life insurance to fund the buy-sell agreement, each participating owner purchases a life insurance policy on the other owner's life. At the first owner's death, the other owner uses the life insurance proceeds to purchase the deceased owner's share of the business.

But, what happens after the first owner dies? The remaining policy may no longer be needed. The executor of the estate that holds the other policy can always choose to keep the policy. By using a GUL policy with the Guaranteed Refund Option, the executor also has an option to surrender the policy during one of the three 60-day windows and get their premiums back – up to 50 percent at the end of year 15 and up to 100 percent at the end of years 20 and 25.<sup>2</sup>



### BUSINESS SUCCESSION PLANNING

When a younger person plans to purchase the business from an older owner, oftentimes, there is a buyout plan that is structured using life insurance. The future owner purchases a life insurance policy on the current owner and when the owner dies, the policy proceeds are used to fund the business buyout.

As the business owner gets older, they may reach a point where they want the buyout to occur while they are still living. When using a GUL policy with a Guaranteed Refund Option, the person who intends to buy the business has an option to surrender the policy during the 60-day windows following the 20th or 25th anniversary, receive a full return of premiums and use that money toward the purchase of the business.<sup>2</sup>

Give me a call on your next business case to see how the Guaranteed Refund Option can provide additional value for your client.

<sup>1</sup> The Guaranteed Refund Option rider is not available for substandard or tobacco cases under age 50 or for substandard tables 5-16 at ages 50 and above. In order to remain eligible for the rider, the client must continue to make their required premium payments as defined in the rider.

<sup>2</sup> The refund amount is capped at 35 percent of the policy's lowest face amount and is reduced by any previous withdrawals and outstanding loans.