

TRUSTEED BUY/SELL

HOW IT WORKS

A custodian or escrow agent, known as a trustee, buys, owns and is the beneficiary of one policy on each owner, equal to each owner's business interest. The trustee receives the death benefit proceeds, purchases the stock from the heirs, and distributes the stock to the owners or the company, depending on which buy/sell arrangement is used. The trusted buy/sell can be used for stock redemption, cross purchase or wait and see buy/sell agreements.

PROS

- Much less cumbersome, when there are more than two owners, as only one policy is required on each owner.
- Age and health differences don't cause disproportional premium payments by the company or individual owners.
- The agreement obligations are guaranteed to be fulfilled. Non trusted agreements, though legally binding, can be broken, requiring litigation.

CONS

- A little more involved to set up, as the agreement requires a trustee.

SUMMARY

Though not often considered, trusted buy/sells for the reasons mentioned, should usually be used, when a "cross purchases" agreement is used and should always be used, when a "wait and see agreement" is used.

