



Nationwide[®]
Financial

Small Business Planning

Buy/Sell Insurance

What would your business
do without you?





Add life to your business

You know what it takes to run a successful company. But what would happen to your business if something happened to you? Better yet, what would happen to your family and employees?

Having the proper plan in place could save your company from disruption — or worse — if you are unable to continue managing it. And a buy/sell agreement using life insurance may be just what you need.

As situations change so will a corporation's business and life insurance needs. Care should be taken to ensure these strategies and products are suitable for the corporation's and the individual's long-term goals. Weigh the corporation's objectives, time horizon and risk tolerance as well as any associated costs before investing. Also, be aware that market volatility can lead to the possibility of the need for additional premium in the policy. Life insurance has fees and charges associated with it which include costs of insurance, underlying fund expenses and administration fees. Investing involves risk, including possible loss of principal.

- Not a deposit • Not FDIC or NCUSIF insured
- Not guaranteed by the institution
- Not insured by any federal government agency
- May lose value

Prepare for the future with a buy/sell agreement

The death or long-term disability of a small business owner, like you, may lead to internal turmoil, customer erosion and disruption in revenue flow. A buy/sell agreement funded with life insurance can help prevent these problems from arising, potentially damaging your business.

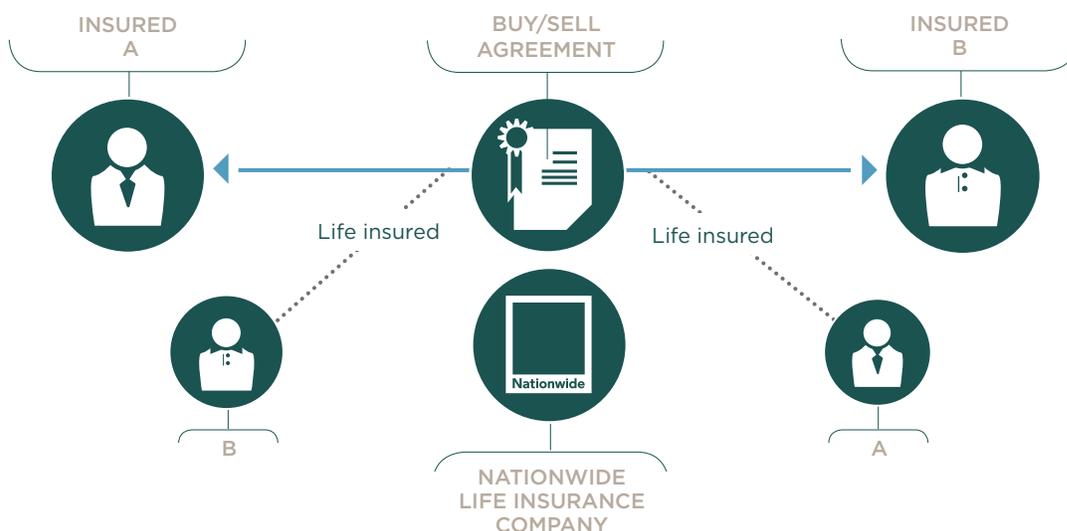
How it works

Buy/sell agreements can take many forms, but the two typical structures are cross-purchase plans and entity redemption plans.

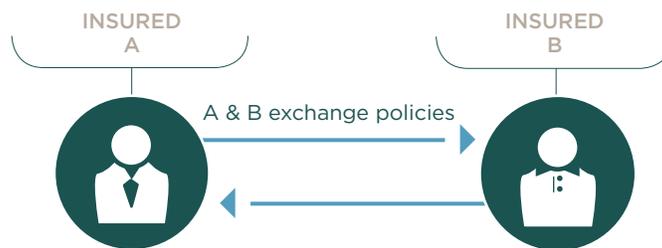
CROSS PURCHASE PLANS — each owner purchases a life insurance policy on the other owner(s), and when an owner dies, the surviving owner(s) use the death benefit to purchase the deceased's share of the business

Cross-purchase

During lifetime



Upon retirement



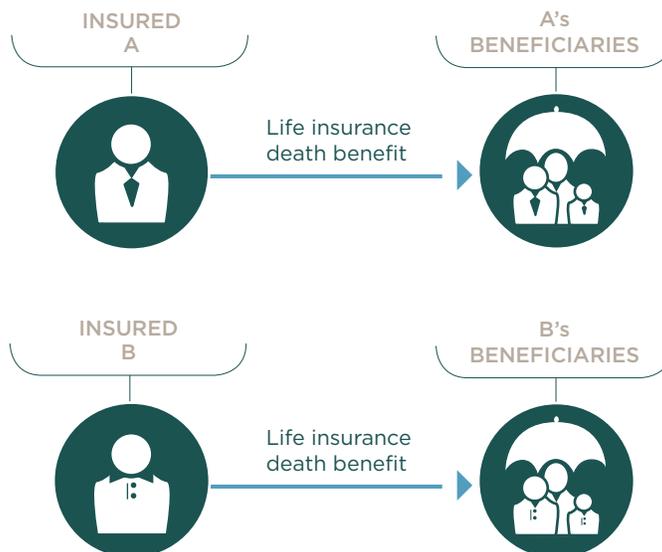
- A takes their respective policy
- B takes their respective policy

If at retirement the insured “exchange” the policies there may be tax implications. The taxable amount is equal to the excess of the value of the contract received over the adjusted basis in the contract.

Also, once the policies are exchanged, Insured A no longer has an interest in Insured B’s policy, and Insured B no longer has any interest in Insured A’s policy.

At death

Assuming the policies have been exchanged.

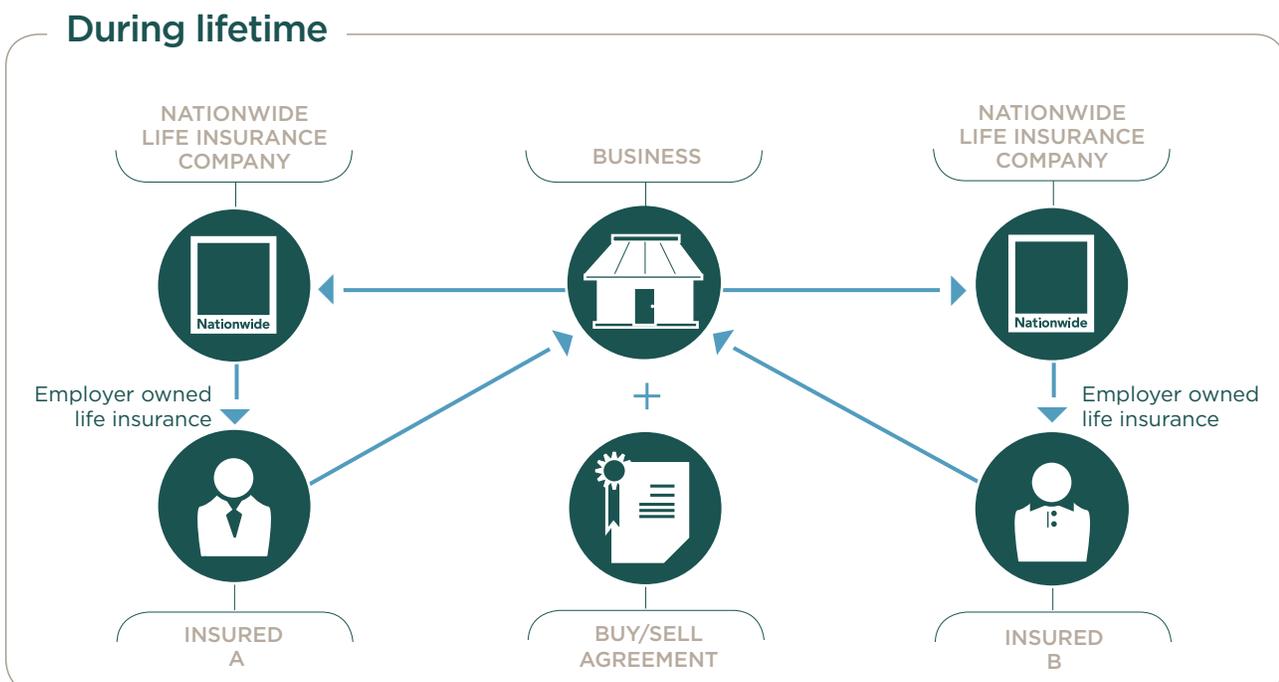


How it works

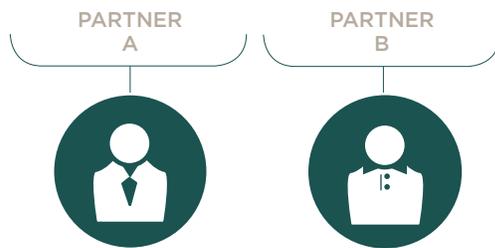
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ENTITY REDEMPTION PLAN — each owner enters into an agreement with the business for the sale of their respective interests to the business; the business purchases separate life insurance contracts on the lives of the owners, pays the premiums and is the owner and beneficiary; when an owner dies, his or her shares of company stock will pass to his or her heirs or estate, and the company may purchase them with proceeds from the life insurance policy

Entity Redemption

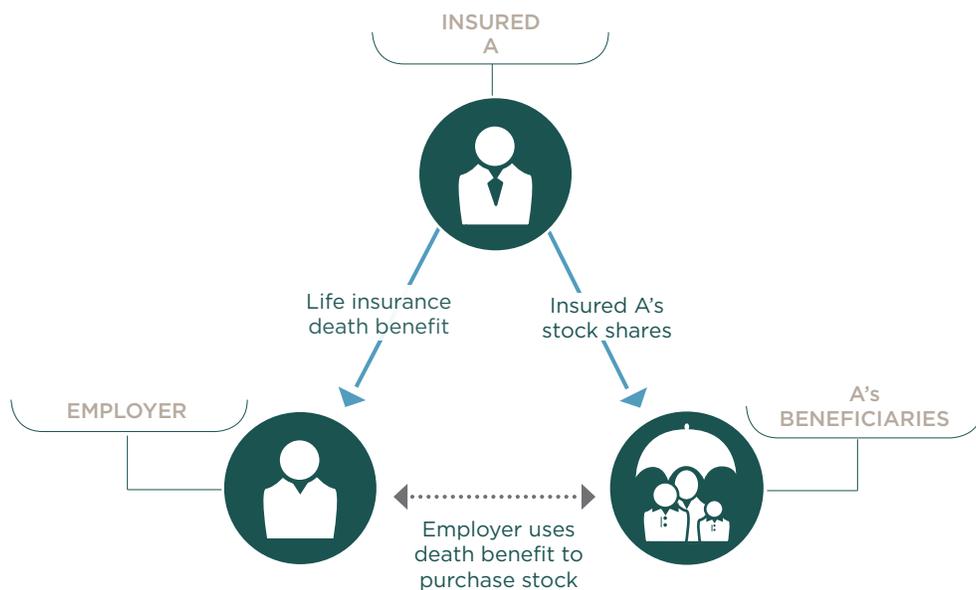


Upon retirement



There are no changes to the policies at this time. The agreement continues to stay in force until death of one or both of the partners.

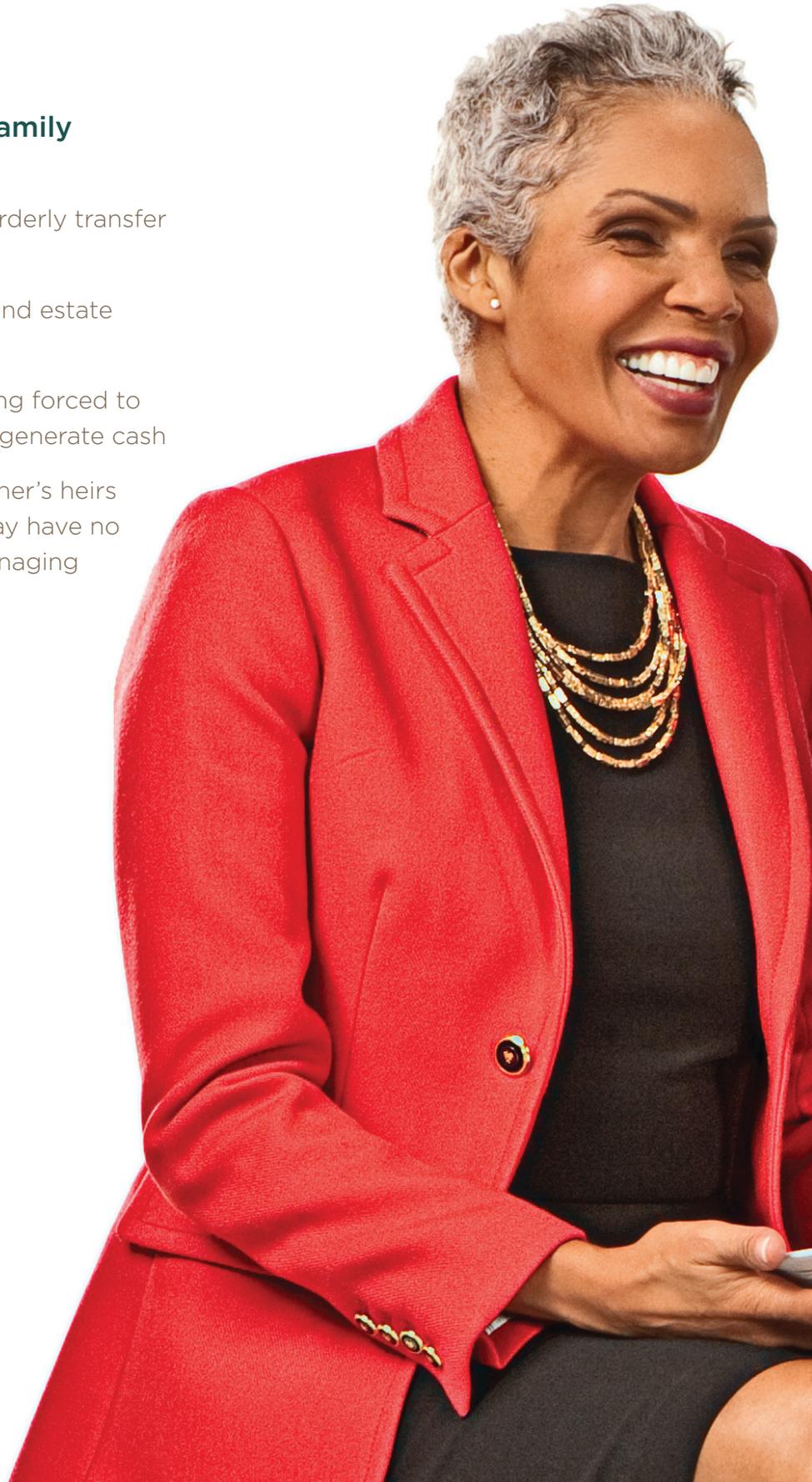
Upon the death of Insured A





Benefits to you and your family

- Promote an equitable and orderly transfer of the business as an asset
- May offer capital gains tax and estate tax advantages
- Reduces the chances of being forced to sell the business in order to generate cash
- Guarantee the deceased owner's heirs a buyer for an asset they may have no interest or experience in managing







Benefits to your business partners

- A funded agreement will allow them to buy company shares they may not have been able to afford otherwise within the existing ownership group
- Assurance of an orderly transition upon premature death of a business partner
- The agreement will provide all relevant details pertaining to price, circumstances for sale, and potential buyers
- Assure the remaining owners the deceased's share of the business will not pass to someone unsuitable
- Assist in the continuity for customers, creditors and suppliers of the business



Benefits to your employees

- Provides assurance that there will be an orderly transition of leadership in the unfortunate event of death of an owner
- Promotes employment security on behalf of the employees that the business will continue despite an unfortunate death of an owner
- May provide development opportunities for key employees to assume new roles within the company in the event of death of an owner







Meet Steve and Michael

All of the characters are fictitious, meant to represent typical individuals in typical business situations. The following information is designed to demonstrate one possible solution to a complex problem. You should work carefully with your investment professional to determine the solution that best meets your specific needs and objectives.

Their story

The law firm of Smith and Jones was founded 12 years ago by Steve Smith and Michael Jones. Over the years, the firm has grown from the two original partners to include nine additional staff attorneys. Today, the firm specializes in everything from probate and estate planning to criminal law and litigation.

The success of the firm has enabled the partners to adequately save for retirement; however, each of them have started to worry about what would happen to the firm if one of them were to become ill or prematurely pass away. They'd like to see the firm remain in tact and have business continue as usual, but it may be difficult for the remaining partner to come up with the funds needed to make that happen. They'd also like to ensure that their families, who depend on the income from the firm, will be taken care of in their absence.

Their strategy

So, Steve and Michael decide to talk to their investment professional, John. After they explain their concerns to John, he suggests a cross-purchase buy/sell agreement. This type of arrangement uses life insurance to protect small businesses and the families of their owners.

In Steve and Michael's case, it would allow each of them to purchase enough life insurance on the other to buy the firm from their estate in the event of an untimely death. The price of the firm would be predetermined, so they can be assured their families will receive a fair price.

An added bonus of this arrangement is it can be structured to allow the policy's potential cash value to be used by either one to buy the company from the other if one of them decides to retire.

With a buy/sell agreement from Nationwide, Steve and Michael can feel confident that their firm and their families will be cared for in their absence.



Call your investment professional today for more information on buy/sell agreements, as well as any of these other business planning options:



A couple of things you should keep in mind:

- This strategy does not guarantee returns or insulate the policy owner from losses, including loss of principal
- The death benefit and any guarantees are subject to the claims-paying ability of the issuing insurance company
- Nationwide and its representatives do not give legal or tax advice; you should consult your legal or tax advisor for answers to specific tax questions
- Loans and partial withdrawals will reduce the death benefits payable to beneficiaries, and withdrawals above the available free amount will incur surrender charges
- Surrender charges vary by issue age, sex, underwriting rate class and product; these charges decline over time, so please see the prospectus for details

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- Executive bonus plans and restrictive executive bonus arrangements (REBA)
 - Insurance-based retirement plans
 - Key person insurance
 - Nonqualified deferred compensation plans
 - Split dollar plans

Throughout this brochure, we discuss access to money via loans and partial withdrawals. This assumes the contract qualifies as life insurance under section 7702 of the Internal Revenue Code (IRC) and is not a modified endowment contract (MEC) under section 7702A. As long as the contract meets non-MEC definitions under section 7702A, most distributions are taxed on a first-in/first-out basis. Loans and partial withdrawals from a MEC will generally be taxable, and if taken prior to age 59½, may be subject to a 10% tax penalty.



All individuals selling this product must be licensed insurance agents and registered representatives.

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