



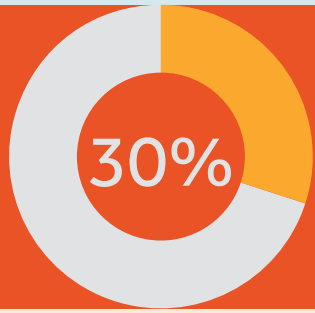
Life Insurance

For

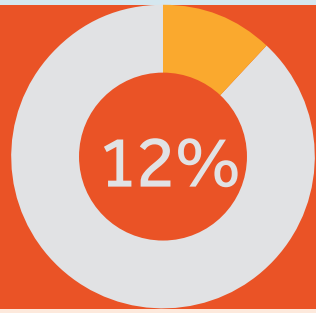
Estate Equalization



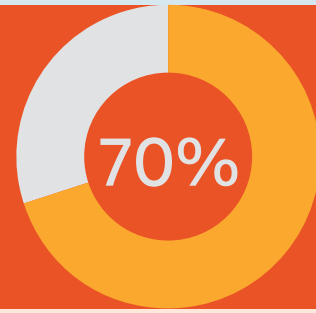
Most family business owners wish to see the business continue on for generations. Unfortunately, this is more the exception than the rule.



Only 30% of family businesses in the United States pass to the second generation.



Only 12% make it to the third generation, and just 3% will be around by the fourth generation.^{2,3}



Family quarrels are among the most common reasons that 70% of family businesses won't make it to the next generation.⁴

How Can Children Be Treated Equitably Without Jeopardizing the Future of the Business?

Meet Jane:

- 52 years old
- 100% owner of Doan Enterprises, Inc.
- Business valued at \$3 million
- Non-business assets valued at \$1 million

Meet Rob:

- Janes's 29-year-old son
- Active Business Partner

Meet Sally:

- Jane's 27-year-old daughter
- MA in Fine Arts
- No interest in business

The Solution: Life Insurance for Estate Equalization

Jane updates will. 100% of Doan Enterprises, Inc. passes to Rob upon her death

Jane's other assets of \$1 million are to pass to Sally

Life insurance in the amount of \$2 million is purchased on Jane's life to benefit Sally

Rob and Jane receive assets equaling \$3 million

What are the Estate Equalization Life Insurance Ownership Options?

| Parent (Jane) Owns | Child (Sally) Owns | Irrevocable Trust Owns |
|---|---|--|
| <p>Advantages</p> <ul style="list-style-type: none"> Parent has complete policy control Parent has access to policy values for supplemental income needs No premium payment-related gift tax concerns⁵ <p>Disadvantages</p> <ul style="list-style-type: none"> Policy death benefit may be subject to estate tax | <p>Advantages</p> <ul style="list-style-type: none"> Policy death benefit may not be subject to parent's estate tax <p>Disadvantages</p> <ul style="list-style-type: none"> A spendthrift child may use the policy's cash value and/or death benefit quickly Potentially a marital asset if child gets divorced Premium payment-related gift tax considerations⁶ | <p>Advantages</p> <ul style="list-style-type: none"> Policy death benefit is not subject to estate tax Terms of trust dictate when proceeds distributed to child Potential for professional trust management Strong protection from creditors⁷ <p>Disadvantages</p> <ul style="list-style-type: none"> Premium payment-related gift tax considerations³ |

Speak with your financial professional who can help you find the right resources for you and your business.

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¹ Family Business Facts, Conway Center for Family Business

² How To Win Where 70 Percent Of Family Businesses Fail, Grow Wire, June 12, 2018

³ Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under 59½, any taxable withdrawal may also be subject to a 10% federal tax penalty

⁴ Family Feuds Are a Wealth Management Nightmare, Wealth Management, August 2018

⁵ Guardian, its subsidiaries, agents and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

⁶ If parent pays that exceed annual gift tax exclusion, parent is using lifetime gift tax exemption, which may be needed for estate tax purposes

⁷ State creditor protection for life insurance policies varies by state. Contact your state's insurance department or consult your legal advisor regarding your individual situation.

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