

# Dual Security Plan Buy-Sell

For: Stafford & Belmont, LLC



***"Money is like a sixth sense which you cannot make complete use of without the other five."***

William Somerset Maugham

Presented By:

[Licensed user's name appears here]

# Dual Security Plan Buy-Sell

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# **Dual Security Plan Buy-Sell**

## **Plan Sponsor's Composite Analysis of Dual Security Plan Buy-Sell for Stafford & Belmont, LLC**

# Dual Security Plan Buy-Sell for Stafford & Belmont, LLC

Presented By: [Licensed user's name appears here]

Plan Sponsor: Stafford & Belmont, LLC

## Plan Sponsor's Composite Analysis of Costs and Policy Values

Number of Participants: 2  
Limited Liability Company

Plan Year	(1) Plan Sponsor's Net Payment	(2) Plan Sponsor's Cumulative Net Payments	(3) Plan Sponsor's Policy Accum Value*	(4) Plan Sponsor's Policy Cash Value*	(5) Portion of Policy Death Benefits Allocated to Acquire Members' Interest	(6) Portion of Policy Death Benefits Allocated for Loss of Key Members	(7) Total Policy Death Benefits Provided (5) + (6)
1	0	0	694,114	417,948	17,694,114	2,000,000	19,694,114
2	0	0	1,444,140	1,171,870	18,444,140	2,000,000	20,444,140
3	0	0	2,254,586	1,986,400	19,254,586	2,000,000	21,254,586
4	0	0	3,130,316	2,866,406	20,130,316	2,000,000	22,130,316
5	0	0	4,076,590	3,817,050	21,076,590	2,000,000	23,076,590
6	0	0	4,303,804	4,048,728	21,303,804	2,000,000	23,303,804
7	0	0	4,549,320	4,298,804	21,549,320	2,000,000	23,549,320
8	0	0	4,814,612	4,605,898	21,814,612	2,000,000	23,814,612
9	0	0	5,101,276	4,934,266	22,101,276	2,000,000	24,101,276
10	0	0	5,411,032	5,285,822	22,411,032	2,000,000	24,411,032
11	0	0	5,745,740	5,662,234	22,745,740	2,000,000	24,745,740
12	0	0	6,107,410	6,065,706	23,107,410	2,000,000	25,107,410
13	0	0	6,515,898	6,515,898	23,515,898	2,000,000	25,515,898
14	0	0	6,957,292	6,957,292	23,957,292	2,000,000	25,957,292
15	0	0	7,431,320	7,431,320	24,431,320	2,000,000	26,431,320
16	0	0	7,979,274	7,979,274	24,979,274	2,000,000	26,979,274
17	0	0	8,565,634	8,565,634	25,565,634	2,000,000	27,565,634
18	0	0	9,192,350	9,192,350	26,192,350	2,000,000	28,192,350
19	0	0	9,860,714	9,860,714	26,860,714	2,000,000	28,860,714
20	0	0	10,573,184	10,573,184	27,573,184	2,000,000	29,573,184

0

List of Plan Participants:

Harry Stafford, age 45

Oliver Belmont, age 45

\*This Composite page includes non-guaranteed life insurance values. Actual results are likely to vary. This page is not valid unless accompanied by a life insurance basic illustration for each participant in the Composite that details non-guaranteed and guaranteed elements.

# Dual Security Plan Buy-Sell for Stafford & Belmont, LLC

Presented By: [Licensed user's name appears here]

Plan Sponsor: Stafford & Belmont, LLC

## Plan Sponsor's Composite Analysis of Benefits\*\*

Number of Participants: 2  
Limited Liability Company

Names of Covered Plan Participants	(1) Age of Plan Participants	(2) Year of Policy Transferred to Plan Participants	(3) Plan Participant's Out-of-Pocket Cost for Acquiring the Policy	(4) Plan Participant's Policy Cash Value in Year of Transfer	(5) Plan Participant's Death Benefit in Year of Transfer	(6) Plan Participant's Cumulative Retirement Income After Tax Policy Loans Illustrated	(7) Plan Participant's Policy Cash Value in the Final Year Illustrated	(8) Plan Participant's Death Benefit in the Final Year Illustrated
Harry Stafford	45	21	0	3,259,757	7,085,000	18,138,624*	7,624,113	7,624,113
Oliver Belmont	45	21	0	3,259,757	7,085,000	18,138,624*	7,624,113	7,624,113

\*An asterisk indicates the Retirement Income After Tax Policy Loans is not level.

See the individual plan participant's report entitled Member Personal Report for further details.

\*\*This Composite page includes non-guaranteed life insurance values. Actual results are likely to vary. This page is not valid unless accompanied by a life insurance basic illustration for each participant in the Composite that details non-guaranteed and guaranteed elements.

# **Dual Security Plan Buy-Sell**

**Individual Reports  
for  
Harry Stafford**

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

## Preface (for Key Members of Limited Liability Companies (LLCs))

Key Member Life Insurance Coverage to Fund Buy-Sell Agreements between LLC Members who are also Shareholders of C or S Corporations with Subsequent Tax-Free Distribution of the Policies to each Insured Key Member.

"Dual Security Buy-Sell Plan" involves two sequential benefits for the principals of an LLC:

- 1) Selected Members' lives are insured to provide funds for redemption (or cross purchase) of ownership interests in a C or S corporation.
- 2) At a future date, the policy is transferred to the Member by way of a K-1 distribution thereby creating a supplemental retirement asset.

Assuming the LLC is taxed as a partnership, the K-1 distribution is tax free to the Member (IRC Sec. 731(a)).

### Features of the LLC's coverage are:

- a) Discriminatory participation as to the selection of participants;
- b) Income tax free policy death benefits;
- c) No regulatory approval is required.

### Features of the policy transfer are:

The LLC transfers ownership of the policy to the insured Member who, in turn, names personal beneficiaries. This provides the Member with:

- a) Policy cash values for use as a supplemental retirement asset;
- b) Income tax free policy death benefits for personal beneficiaries.

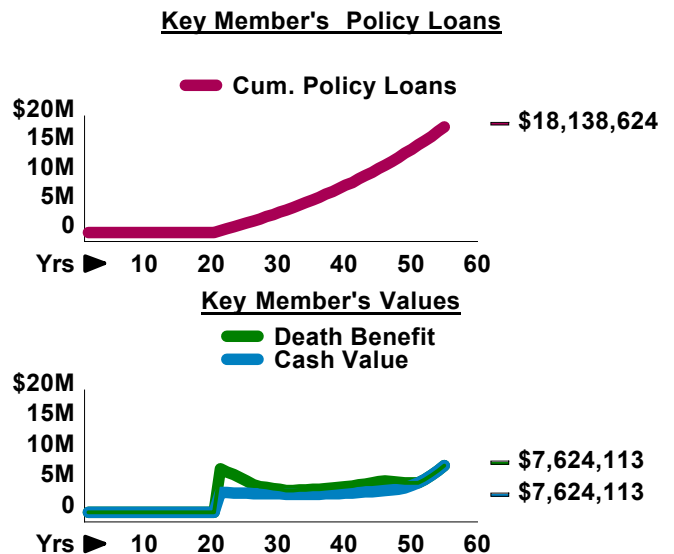
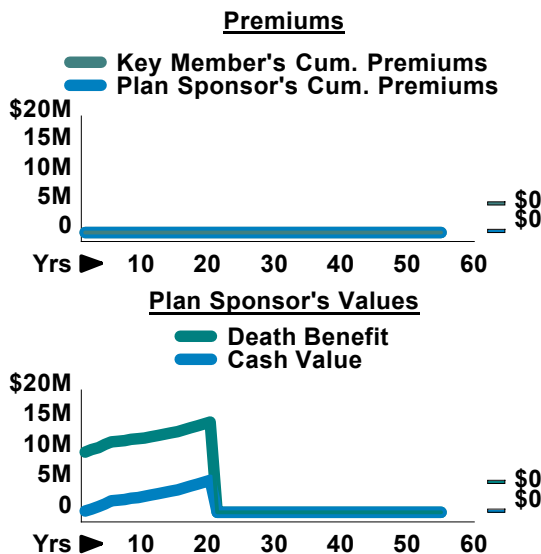
### Option

Many Dual Security Buy-Sell Plans include additional life insurance on the life of the insured Member to indemnify the LLC in the event of the untimely death of a covered Member.

### Conclusion

The Dual Security Buy-Sell Plan facilitates a nurturing environment that rewards key Members.

Be sure to consult with your own tax advisers before entering into this or any other arrangement involving tax and legal economic considerations.



This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

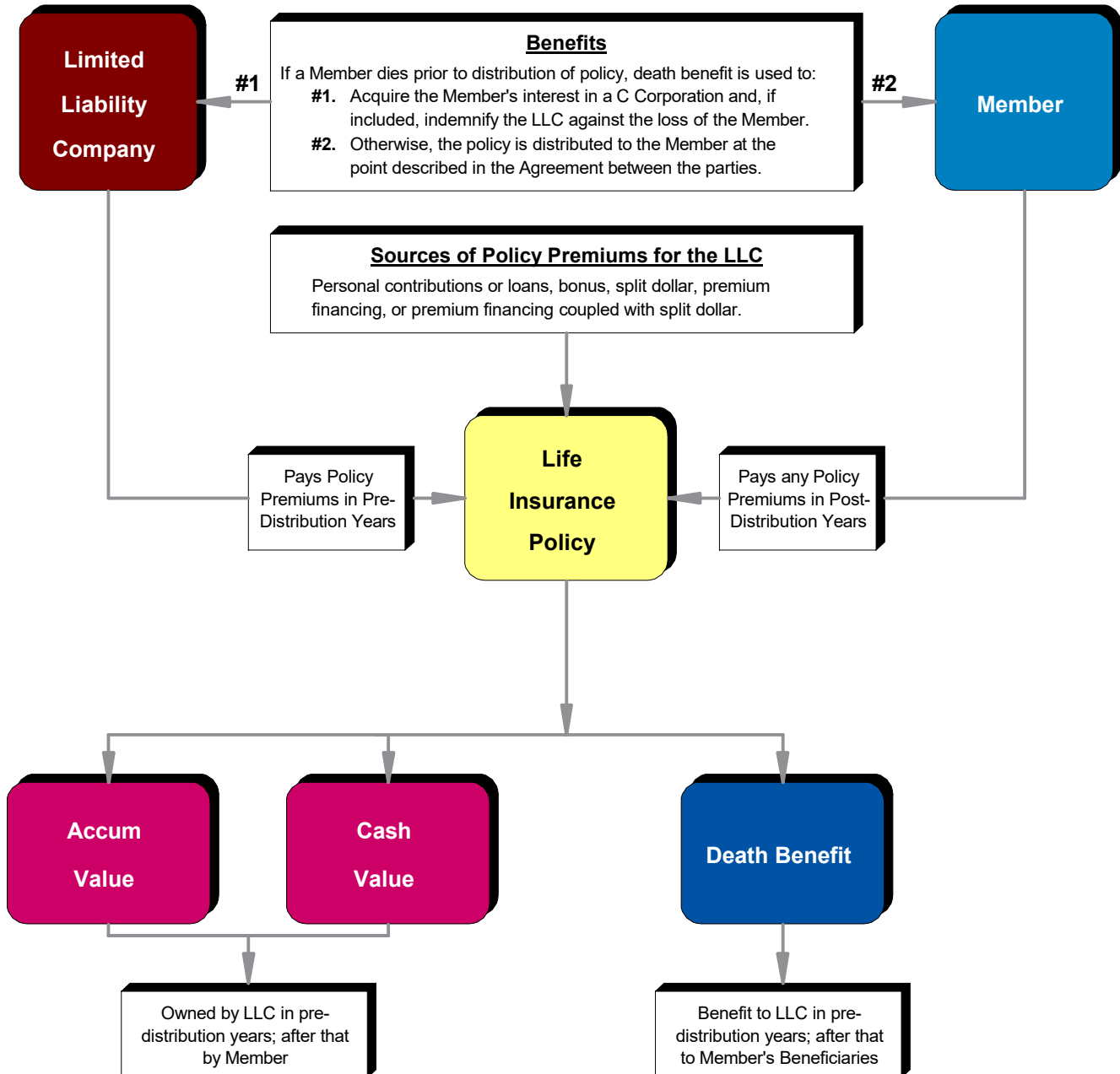
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Who Pays What - Who Receives What

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



When the policy is distributed to the Member as a K-1 distribution, no gain or loss need be recognized by the LLC on a distribution of property to a Member IRC Sec. 731(b)). (A life insurance policy is legally considered property). Likewise, no gain or loss need be recognized by the Member receiving the policy, regardless of whether the value of the policy is higher or lower than the adjusted basis Member's interest in the LLC. (IRC Sec. 731(a)). The basis of property (the policy in this case) distributed by the LLC to a Member, other than in liquidation of the Member's interest, is its adjusted basis to the LLC immediately before the distribution (which is the sum of the premiums paid by the LLC less any withdrawals made by the LLC prior to the distribution (IRS Rev. Proc. 2005-25)). LLCs have significant flexibility in how they account for assets, and the taxation of the policy distribution should be able to be arranged in this manner.

If multiple members are insured, the tax consequences of each distributed policy should be the same.



# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Illustration of Policy Values Funding the Plan

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Indexed UL Interest Rate 6.50%	Initial Premium 0	Initial Death Benefit 9,500,000	LLC's (Key Member's) Tax Bracket 40.00%			
Year	Male Age	(1) Premium Payment	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(4a) Pre-Tax Equivalent Rate of Return of Cash Value*	(5) Policy Death Benefit	(5a) Pre-Tax Equivalent Rate of Return of Death Benefit
1	45	0	0	347,057	208,974	n/a	9,847,057	n/a
2	46	0	0	722,070	585,935	n/a	10,222,070	n/a
3	47	0	0	1,127,293	993,200	n/a	10,627,293	n/a
4	48	0	0	1,565,158	1,433,203	n/a	11,065,158	n/a
5	49	0	0	2,038,295	1,908,525	n/a	11,538,295	n/a
6	50	0	0	2,151,902	2,024,364	n/a	11,651,902	n/a
7	51	0	0	2,274,660	2,149,402	n/a	11,774,660	n/a
8	52	0	0	2,407,306	2,302,949	n/a	11,907,306	n/a
9	53	0	0	2,550,638	2,467,133	n/a	12,050,638	n/a
10	54	0	0	2,705,516	2,642,911	n/a	12,205,516	n/a
11	55	0	0	2,872,870	2,831,117	n/a	12,372,870	n/a
12	56	0	0	3,053,705	3,032,853	n/a	12,553,705	n/a
13	57	0	0	3,257,949	3,257,949	n/a	12,757,949	n/a
14	58	0	0	3,478,646	3,478,646	n/a	12,978,646	n/a
15	59	0	0	3,715,660	3,715,660	n/a	13,215,660	n/a
16	60	0	0	3,989,637	3,989,637	n/a	13,489,637	n/a
17	61	0	0	4,282,817	4,282,817	n/a	13,782,817	n/a
18	62	0	0	4,596,175	4,596,175	n/a	14,096,175	n/a
19	63	0	0	4,930,357	4,930,357	n/a	14,430,357	n/a
20	64	0	0	5,286,592	5,286,592	n/a	14,786,592	n/a
21	65	0	300,000	5,674,757	3,259,757	Infinite	7,085,000	Infinite
22	66	0	309,000	6,090,566	3,230,366	Infinite	6,639,800	Infinite
23	67	0	318,270	6,536,468	3,199,074	Infinite	6,162,607	Infinite
24	68	0	327,818	7,015,126	3,166,654	Infinite	5,651,528	Infinite
25	69	0	337,653	7,529,100	3,133,669	Infinite	5,104,569	Infinite
26	70	0	347,782	8,081,962	3,101,588	Infinite	4,519,626	Infinite
27	71	0	358,216	8,678,520	3,073,000	Infinite	4,201,208	Infinite
28	72	0	368,962	9,322,615	3,049,410	Infinite	4,074,898	Infinite
29	73	0	380,031	10,013,825	3,027,927	Infinite	3,929,171	Infinite
30	74	0	391,432	10,756,140	3,009,943	Infinite	3,762,873	Infinite
		0	3,439,164					

### 30 Year Summary

Cum. Premium Payments	0
Cum. Policy Loan Proceeds	3,439,164
Accum Value	3,009,943
Death Benefit	3,762,873

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Illustration of Policy Values Funding the Plan

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Indexed UL Interest Rate 6.50%	Initial Premium 0	Initial Death Benefit 9,500,000	LLC's (Key Member's) Tax Bracket 40.00%			
Year	Male Age	(1) Premium Payment	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(4a) Pre-Tax Equivalent Rate of Return of Cash Value*	(5) Policy Death Benefit	(5a) Pre-Tax Equivalent Rate of Return of Death Benefit
31	75	0	403,175	11,554,046	2,997,206	Infinite	3,574,908	Infinite
32	76	0	415,270	12,408,488	2,987,772	Infinite	3,608,196	Infinite
33	77	0	427,728	13,323,314	2,982,448	Infinite	3,648,613	Infinite
34	78	0	440,560	14,302,591	2,982,093	Infinite	3,697,223	Infinite
35	79	0	453,777	15,350,648	2,987,659	Infinite	3,755,192	Infinite
36	80	0	467,390	16,471,964	3,000,066	Infinite	3,823,664	Infinite
37	81	0	481,412	17,671,015	3,020,040	Infinite	3,903,591	Infinite
38	82	0	495,854	18,952,706	3,048,536	Infinite	3,996,171	Infinite
39	83	0	510,730	20,322,120	3,086,474	Infinite	4,102,580	Infinite
40	84	0	526,052	21,783,503	3,133,720	Infinite	4,222,895	Infinite
41	85	0	541,833	23,340,311	3,189,115	Infinite	4,356,131	Infinite
42	86	0	558,088	24,997,721	3,252,972	Infinite	4,502,858	Infinite
43	87	0	574,831	26,759,779	3,324,220	Infinite	4,662,209	Infinite
44	88	0	592,076	28,628,991	3,399,975	Infinite	4,831,424	Infinite
45	89	0	609,838	30,607,872	3,477,074	Infinite	5,007,468	Infinite
46	90	0	628,133	32,697,629	3,550,751	Infinite	5,185,632	Infinite
47	91	0	646,977	34,940,869	3,657,321	Infinite	5,054,956	Infinite
48	92	0	666,387	37,360,623	3,813,192	Infinite	4,934,010	Infinite
49	93	0	686,378	39,987,363	4,041,863	Infinite	4,841,611	Infinite
50	94	0	706,970	42,859,671	4,374,577	Infinite	4,803,174	Infinite
51	95	0	728,179	46,023,890	4,849,954	Infinite	4,849,954	Infinite
52	96	0	750,024	49,423,076	5,402,919	Infinite	5,402,919	Infinite
53	97	0	772,525	53,074,997	6,042,680	Infinite	6,042,680	Infinite
54	98	0	795,701	56,998,786	6,779,368	Infinite	6,779,368	Infinite
55	99	0	819,572	61,215,052	7,624,113	Infinite	7,624,113	Infinite
		0	18,138,624					

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

### 55 Year Summary

Cum. Premium Payments	0
Cum. Policy Loan Proceeds	18,138,624
Accum Value	7,624,113
Death Benefit	7,624,113

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Plan Sponsor's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)		Policy Transfer to Key Member is Illustrated at Beginning of Year 21		Indexed UL Interest Rate 6.50%			
Year	Male Age	(1) Premium Payment	(2) Cumulative Premium Payments	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Portion of Policy Death Benefit to Acquire Member's LLC Interest	(6) Portion of Policy Death Benefit to Indemnify the LLC	(7) Total Policy Death Benefit Required (5) + (6)**	(8) Total Policy Death Benefit Provided
1	45	0	0	347,057	208,974	8,347,057	1,500,000	9,847,057	9,847,057
2	46	0	0	722,070	585,935	8,722,070	1,500,000	10,222,070	10,222,070
3	47	0	0	1,127,293	993,200	9,127,293	1,500,000	10,627,293	10,627,293
4	48	0	0	1,565,158	1,433,203	9,565,158	1,500,000	11,065,158	11,065,158
5	49	0	0	2,038,295	1,908,525	10,038,295	1,500,000	11,538,295	11,538,295
6	50	0	0	2,151,902	2,024,364	10,151,902	1,500,000	11,651,902	11,651,902
7	51	0	0	2,274,660	2,149,402	10,274,660	1,500,000	11,774,660	11,774,660
8	52	0	0	2,407,306	2,302,949	10,407,306	1,500,000	11,907,306	11,907,306
9	53	0	0	2,550,638	2,467,133	10,550,638	1,500,000	12,050,638	12,050,638
10	54	0	0	2,705,516	2,642,911	10,705,516	1,500,000	12,205,516	12,205,516
11	55	0	0	2,872,870	2,831,117	10,872,870	1,500,000	12,372,870	12,372,870
12	56	0	0	3,053,705	3,032,853	11,053,705	1,500,000	12,553,705	12,553,705
13	57	0	0	3,257,949	3,257,949	11,257,949	1,500,000	12,757,949	12,757,949
14	58	0	0	3,478,646	3,478,646	11,478,646	1,500,000	12,978,646	12,978,646
15	59	0	0	3,715,660	3,715,660	11,715,660	1,500,000	13,215,660	13,215,660
16	60	0	0	3,989,637	3,989,637	11,989,637	1,500,000	13,489,637	13,489,637
17	61	0	0	4,282,817	4,282,817	12,282,817	1,500,000	13,782,817	13,782,817
18	62	0	0	4,596,175	4,596,175	12,596,175	1,500,000	14,096,175	14,096,175
19	63	0	0	4,930,357	4,930,357	12,930,357	1,500,000	14,430,357	14,430,357
20	64	0	0	5,286,592	5,286,592	13,286,592	1,500,000	14,786,592	14,786,592
21	65	0	0	0	0	0	0	0	0
22	66	0	0	0	0	0	0	0	0
23	67	0	0	0	0	0	0	0	0
24	68	0	0	0	0	0	0	0	0
25	69	0	0	0	0	0	0	0	0
26	70	0	0	0	0	0	0	0	0
27	71	0	0	0	0	0	0	0	0
28	72	0	0	0	0	0	0	0	0
29	73	0	0	0	0	0	0	0	0
30	74	0	0	0	0	0	0	0	0
		0							

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

\*\*Key Member Coverage is terminated at the beginning of year 21 when the policy is transferred to the Key Member.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Plan Sponsor's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)			Policy Transfer to Key Member is Illustrated at Beginning of Year 21		Indexed UL Interest Rate 6.50%			
Year	Male Age	(1) Premium Payment	(2) Cumulative Premium Payments	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Portion of Policy Death Benefit to Acquire Member's LLC Interest	(6) Portion of Policy Death Benefit to Indemnify the LLC	(7) Total Policy Death Benefit Required (5) + (6)**	(8) Total Policy Death Benefit Provided	
31	75	0	0	0	0	0	0	0	0	
32	76	0	0	0	0	0	0	0	0	
33	77	0	0	0	0	0	0	0	0	
34	78	0	0	0	0	0	0	0	0	
35	79	0	0	0	0	0	0	0	0	
36	80	0	0	0	0	0	0	0	0	
37	81	0	0	0	0	0	0	0	0	
38	82	0	0	0	0	0	0	0	0	
39	83	0	0	0	0	0	0	0	0	
40	84	0	0	0	0	0	0	0	0	
41	85	0	0	0	0	0	0	0	0	
42	86	0	0	0	0	0	0	0	0	
43	87	0	0	0	0	0	0	0	0	
44	88	0	0	0	0	0	0	0	0	
45	89	0	0	0	0	0	0	0	0	
46	90	0	0	0	0	0	0	0	0	
47	91	0	0	0	0	0	0	0	0	
48	92	0	0	0	0	0	0	0	0	
49	93	0	0	0	0	0	0	0	0	
50	94	0	0	0	0	0	0	0	0	
51	95	0	0	0	0	0	0	0	0	
52	96	0	0	0	0	0	0	0	0	
53	97	0	0	0	0	0	0	0	0	
54	98	0	0	0	0	0	0	0	0	
55	99	0	0	0	0	0	0	0	0	

0

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

\*\*Key Member Coverage is terminated at the beginning of year 21 when the policy is transferred to the Key Member.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Key Member's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)      Policy Transfer to Key Member is Illustrated at Beginning of Year 21      LLC's (Key Member's) Tax Bracket 40.00%      Indexed UL Interest Rate 6.50%

Year	Male Age	(1) Premium Payment	(2) Retirement Income Net Policy Loan Proceeds	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Policy Death Benefit
1	45	0	0	0	0	0
2	46	0	0	0	0	0
3	47	0	0	0	0	0
4	48	0	0	0	0	0
5	49	0	0	0	0	0
6	50	0	0	0	0	0
7	51	0	0	0	0	0
8	52	0	0	0	0	0
9	53	0	0	0	0	0
10	54	0	0	0	0	0
11	55	0	0	0	0	0
12	56	0	0	0	0	0
13	57	0	0	0	0	0
14	58	0	0	0	0	0
15	59	0	0	0	0	0
16	60	0	0	0	0	0
17	61	0	0	0	0	0
18	62	0	0	0	0	0
19	63	0	0	0	0	0
20	64	0	0	0	0	0
21	65	0	300,000	5,674,757	3,259,757	7,085,000
22	66	0	309,000	6,090,566	3,230,366	6,639,800
23	67	0	318,270	6,536,468	3,199,074	6,162,607
24	68	0	327,818	7,015,126	3,166,654	5,651,528
25	69	0	337,653	7,529,100	3,133,669	5,104,569
26	70	0	347,782	8,081,962	3,101,588	4,519,626
27	71	0	358,216	8,678,520	3,073,000	4,201,208
28	72	0	368,962	9,322,615	3,049,410	4,074,898
29	73	0	380,031	10,013,825	3,027,927	3,929,171
30	74	0	391,432	10,756,140	3,009,943	3,762,873
		0	3,439,164			

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Key Member's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)      Policy Transfer to Key Member is Illustrated at Beginning of Year 21      LLC's (Key Member's) Tax Bracket 40.00%      Indexed UL Interest Rate 6.50%

Year	Male Age	(1) Premium Payment	(2) Retirement Income Net Policy Loan Proceeds	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Policy Death Benefit
31	75	0	403,175	11,554,046	2,997,206	3,574,908
32	76	0	415,270	12,408,488	2,987,772	3,608,196
33	77	0	427,728	13,323,314	2,982,448	3,648,613
34	78	0	440,560	14,302,591	2,982,093	3,697,223
35	79	0	453,777	15,350,648	2,987,659	3,755,192
36	80	0	467,390	16,471,964	3,000,066	3,823,664
37	81	0	481,412	17,671,015	3,020,040	3,903,591
38	82	0	495,854	18,952,706	3,048,536	3,996,171
39	83	0	510,730	20,322,120	3,086,474	4,102,580
40	84	0	526,052	21,783,503	3,133,720	4,222,895
41	85	0	541,833	23,340,311	3,189,115	4,356,131
42	86	0	558,088	24,997,721	3,252,972	4,502,858
43	87	0	574,831	26,759,779	3,324,220	4,662,209
44	88	0	592,076	28,628,991	3,399,975	4,831,424
45	89	0	609,838	30,607,872	3,477,074	5,007,468
46	90	0	628,133	32,697,629	3,550,751	5,185,632
47	91	0	646,977	34,940,869	3,657,321	5,054,956
48	92	0	666,387	37,360,623	3,813,192	4,934,010
49	93	0	686,378	39,987,363	4,041,863	4,841,611
50	94	0	706,970	42,859,671	4,374,577	4,803,174
51	95	0	728,179	46,023,890	4,849,954	4,849,954
52	96	0	750,024	49,423,076	5,402,919	5,402,919
53	97	0	772,525	53,074,997	6,042,680	6,042,680
54	98	0	795,701	56,998,786	6,779,368	6,779,368
55	99	0	819,572	61,215,052	7,624,113	7,624,113
		0	18,138,624			

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Details of the Tax Consequences When the Policy is Distributed to the Key Member

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Form of Transaction  
(Key Member Coverage with  
Deferred K-1 Distribution  
of Policy to Key Member)

Policy Transfer to  
Key Member is Illustrated  
at Beginning of Year  
21

### **K-1 Distribution Details:**

Year the K-1 Distribution is illustrated: Beginning of year 21

Accumulation value of policy when distributed: \$5,286,592

LLC cumulative premiums prior to distribution: \$0

Member's cumulative premiums prior to distribution: \$0

### **Tax Consequences of the K-1 Distribution:**

*(The following taxation remarks apply whether one member or multiple members are insured\*.)*

When the policy is distributed, no gain or loss need be recognized by the Limited Liability Company on a distribution of property (a life insurance policy is legally considered property) to a member (IRC Sec. 731(b)). Likewise, no gain or loss need be recognized by the member receiving the policy, regardless of whether the value of the policy is higher or lower than the member's adjusted basis in the member's interest in the LLC (IRC Sec. 731(a)).

The member's basis in the policy distributed by the LLC to the member is its adjusted basis to the LLC immediately before the distribution (which is the sum of the premiums paid by the LLC less any withdrawals made by the LLC prior to the distribution (IRS Rev. Proc. 2005-25)). The distributee member's basis in the property cannot exceed the adjusted basis of the member's interest in the LLC reduced by any money distributed in the same transaction (IRC Sec. 732(a)). (If multiple members are insured, the tax consequences of each distributed policy should be the same.)

For this case, the member's illustrated basis in the policy at the point of distribution is \$0.

Any premium payments, increase in policy values, or policy activity (loans, withdrawals, etc.) in the year of distribution are presumed to occur after the distribution takes place.

\*Because the LLC is taxed as a Partnership, it has significant flexibility in how it accounts for assets, and the taxation of policy distributions should be able to be arranged in this manner. (Some states do not allow LLCs with only one member.)

\*LLC accounting is complex and should only be done by a qualified professional. Be sure to consult with your own legal and tax advisers before entering into this or any other arrangement involving legal, tax, and economic considerations.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Benefit Summary

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Indexed UL Interest Rate 6.50%	Initial Death Benefit 9,500,000	<u>Policy Owner</u> LLC Until Transferred to Member in Year 21	<u>Policy Premiums Prior to Transfer</u> Paid by Business \$0 for 1st 0 Yrs	Paid by Member \$0
--------------------------------------	---------------------------------------	--	---	-----------------------

<b>Benefits for Harry Stafford</b>	<b>See Report Entitled</b>
Policy illustrated transferred to the Member at the beginning of year 21.	Member's Summary of Costs and Benefits
Member's out-of-pocket cost for tax on the transfer in year 21: \$0	Member's Cost Analysis
Member's illustrated cash value at end of year 21: \$3,259,757	Member's Summary of Costs and Benefits
Member's illustrated cum. retirement cash flow* for all 35 years: \$18,138,624	Member's Summary of Costs and Benefits
Member's illustrated death benefit at end of year 21: \$7,085,000	Member's Summary of Costs and Benefits

\*Cash flow is received **income tax free** according to current tax rules assuming it involves withdrawals to basis and/or loans. Withdrawals that exceed cost basis are taxed.

<b>Benefits for Stafford &amp; Belmont, LLC</b>	<b>See Report Entitled</b>
Cash value of life insurance policy owned by the business just prior to transfer of the policy: \$5,286,592	Plan Sponsor's Summary of Costs and Benefits
Lowest illustrated life insurance death benefit to indemnify the business prior to the transfer of the policy: \$9,847,057	Plan Sponsor's Summary of Costs and Benefits
Illustrated tax savings for the business upon transfer of the policy: \$0	Details of the Tax Consequences
Should the Member fail to complete the terms of the agreement associated with the plan, the transfer of the policy is forfeited, and all policy values remain an asset of the business.	

This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.



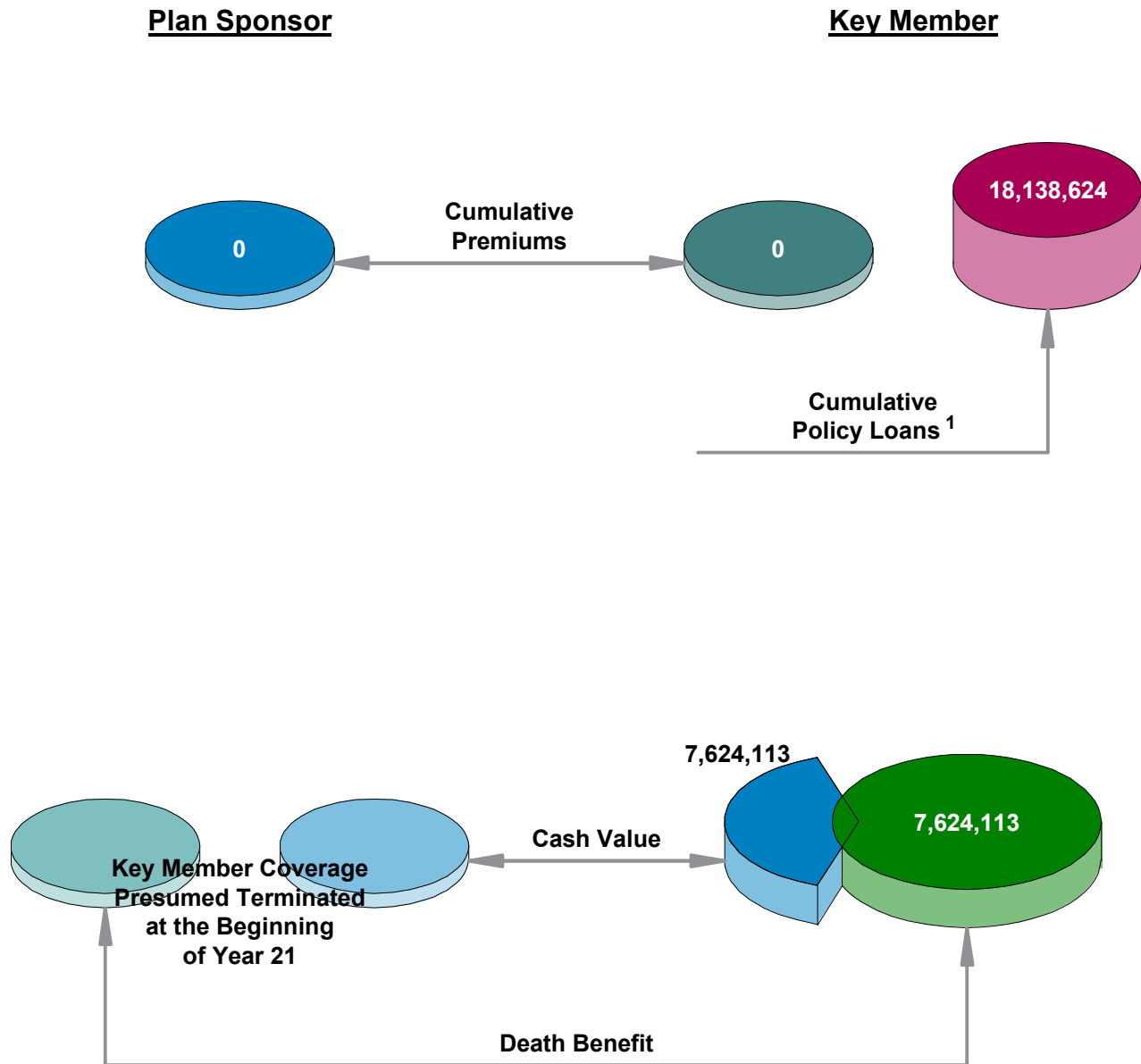
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

A Look at Year 55

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



<sup>1</sup>For Retirement Income.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

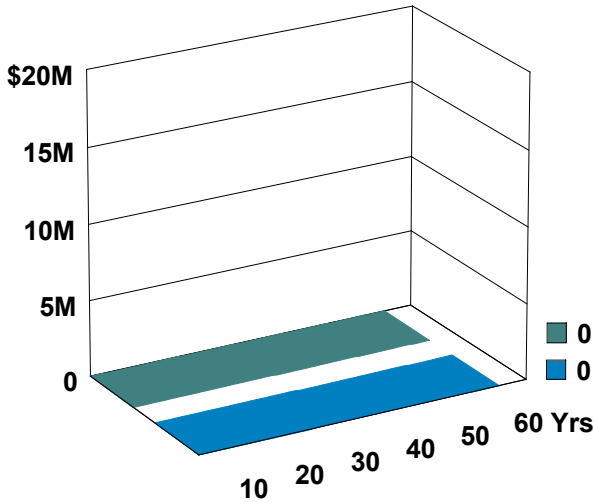
Insured: Harry Stafford

## 55 Year Analysis

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

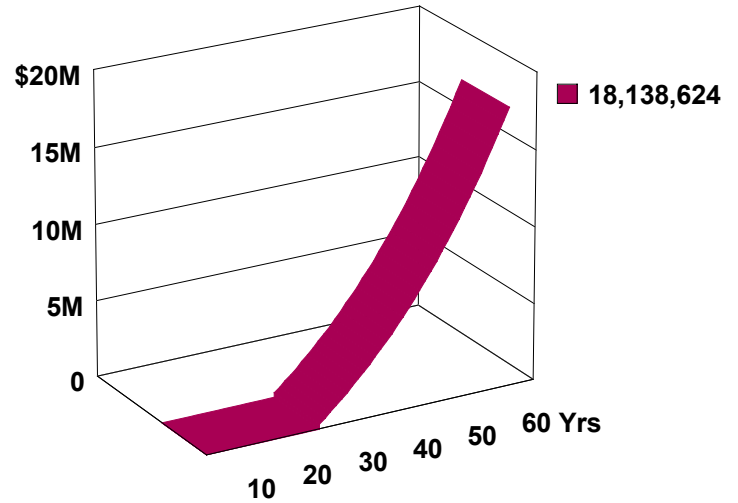
### Premiums

Plan Sponsor's Cum. Premiums	\$0
Key Member's Cum. Premiums	\$0



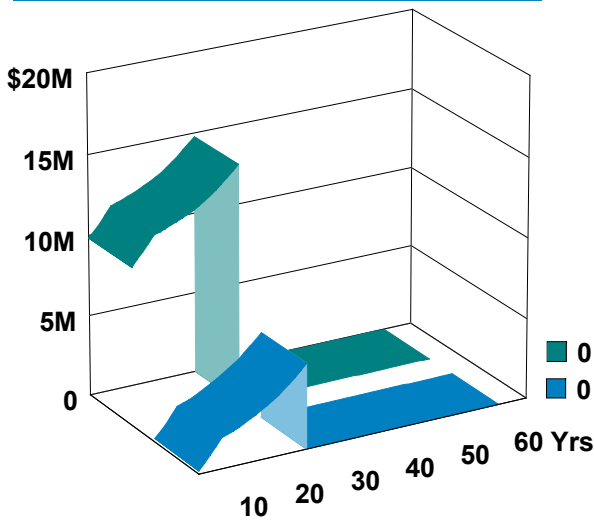
### Key Member's Policy Loans

Cum. Policy Loans <sup>1</sup>	\$18,138,624
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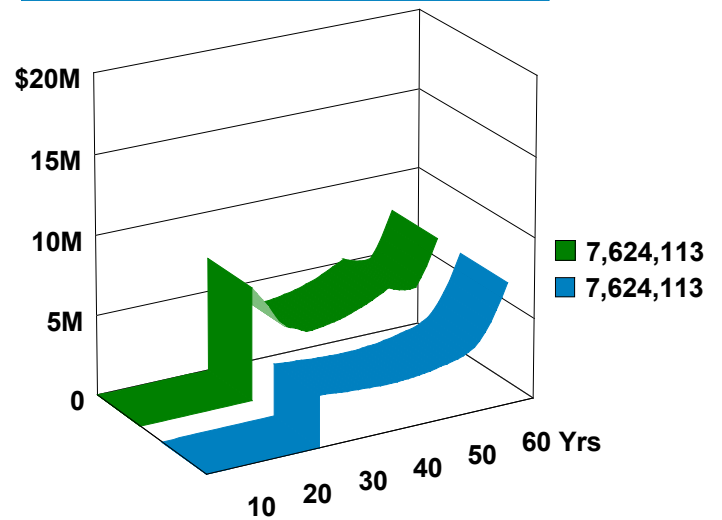
### Plan Sponsor's Values

Death Benefit	\$0
Cash Value	\$0



### Key Member's Values

Death Benefit	\$7,624,113
Cash Value	\$7,624,113



<sup>1</sup>For Retirement Income.

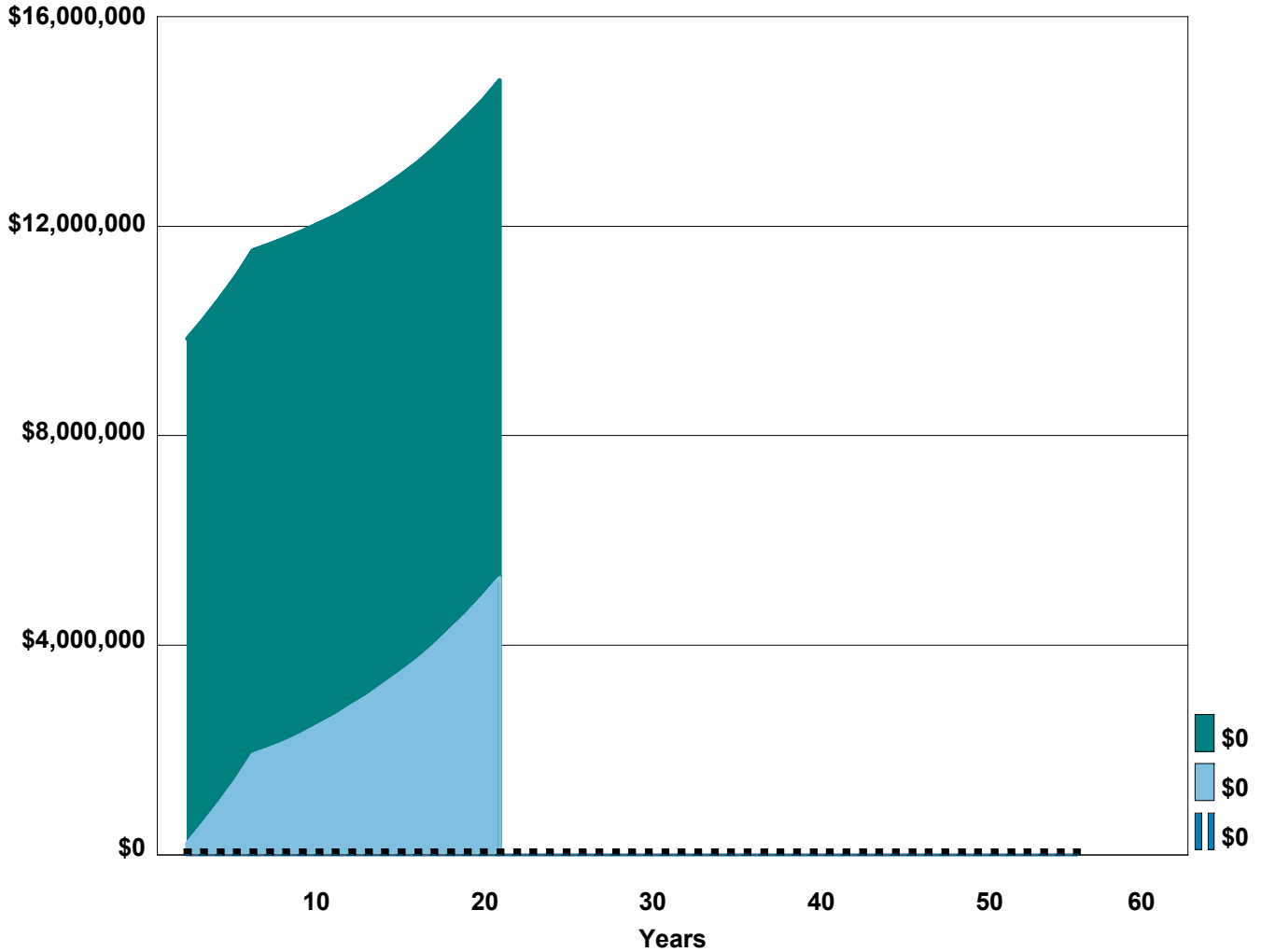
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Plan Sponsor's 55 Year Analysis

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



### At Year 55

- Plan Sponsor's Cumulative Premiums \$0
- Plan Sponsor's Cash Value \$0
- Plan Sponsor's Death Benefit \$0

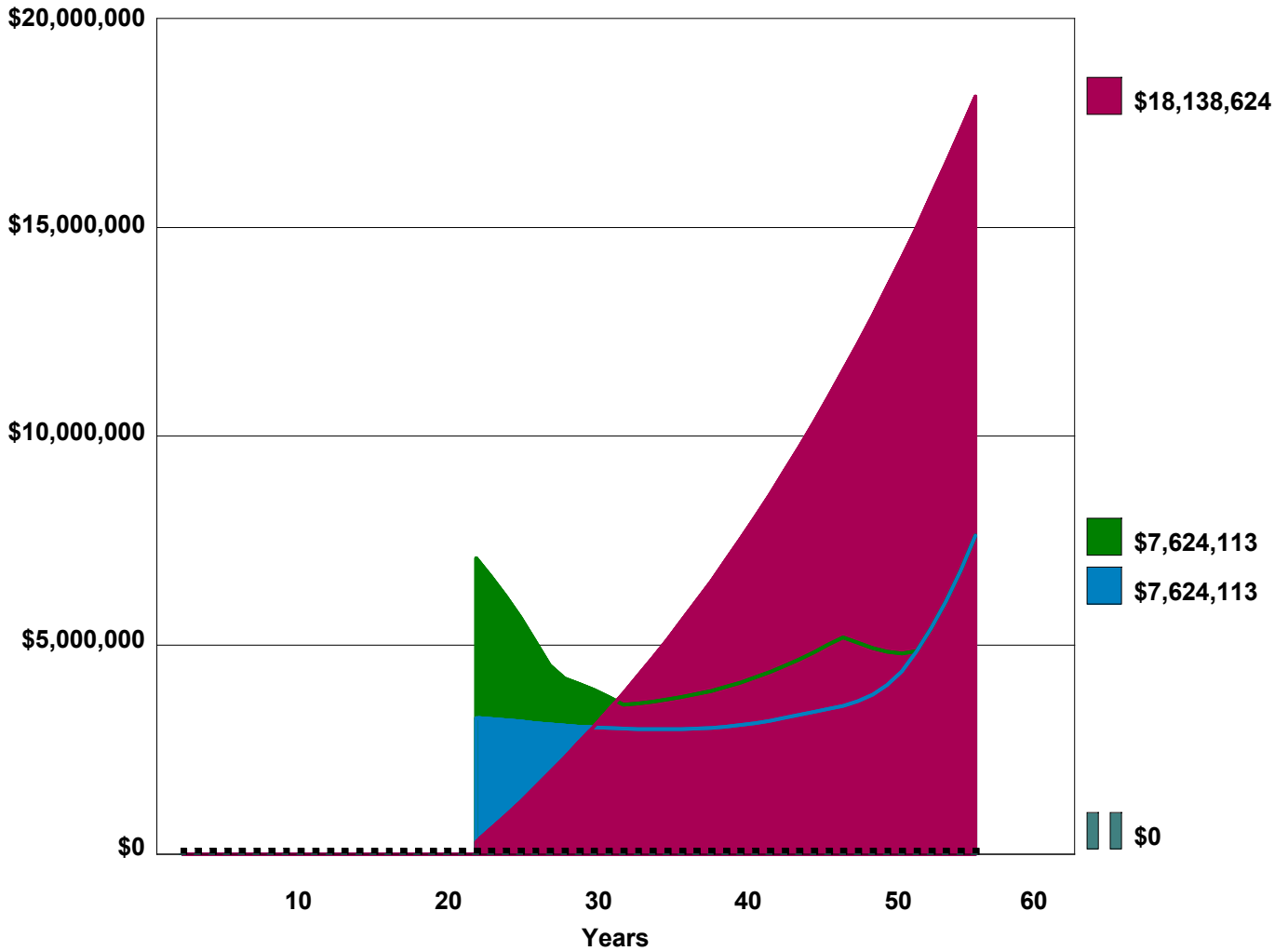
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Harry Stafford

## Key Member's 55 Year Analysis

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



	At Year 55
Key Member's Cumulative Premiums	\$0
Key Member's Cumulative Policy Loans <sup>1</sup>	\$18,138,624
Key Member's Cash Value	\$7,624,113
Key Member's Death Benefit	\$7,624,113

<sup>1</sup>For Retirement Income.

# **Dual Security Plan Buy-Sell**

**Individual Reports  
for  
Oliver Belmont**

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

## Preface (for Key Members of Limited Liability Companies (LLCs))

Key Member Life Insurance Coverage to Fund Buy-Sell Agreements between LLC Members who are also Shareholders of C or S Corporations with Subsequent Tax-Free Distribution of the Policies to each Insured Key Member.

"Dual Security Buy-Sell Plan" involves two sequential benefits for the principals of an LLC:

- 1) Selected Members' lives are insured to provide funds for redemption (or cross purchase) of ownership interests in a C or S corporation.
- 2) At a future date, the policy is transferred to the Member by way of a K-1 distribution thereby creating a supplemental retirement asset.

Assuming the LLC is taxed as a partnership, the K-1 distribution is tax free to the Member (IRC Sec. 731(a)).

### Features of the LLC's coverage are:

- a) Discriminatory participation as to the selection of participants;
- b) Income tax free policy death benefits;
- c) No regulatory approval is required.

### Features of the policy transfer are:

The LLC transfers ownership of the policy to the insured Member who, in turn, names personal beneficiaries. This provides the Member with:

- a) Policy cash values for use as a supplemental retirement asset;
- b) Income tax free policy death benefits for personal beneficiaries.

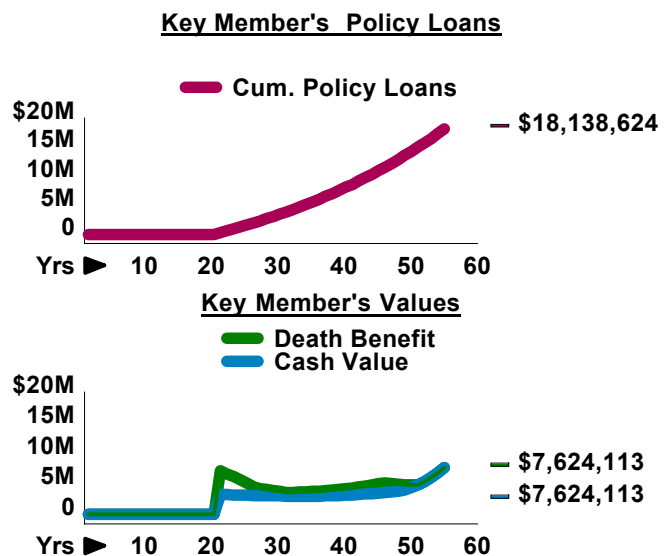
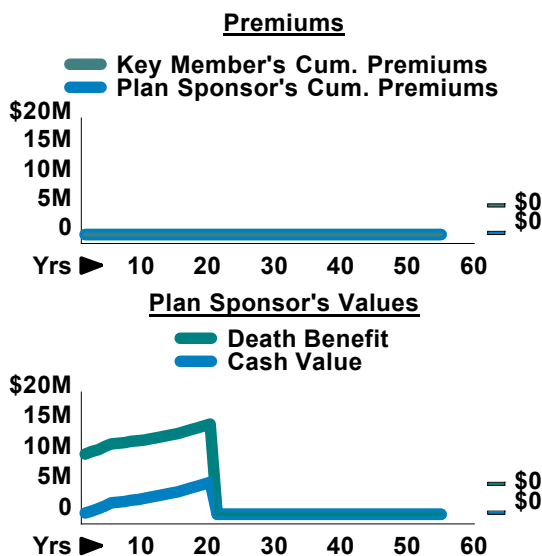
### Option

Many Dual Security Buy-Sell Plans include additional life insurance on the life of the insured Member to indemnify the LLC in the event of the untimely death of a covered Member.

### Conclusion

The Dual Security Buy-Sell Plan facilitates a nurturing environment that rewards key Members.

Be sure to consult with your own tax advisers before entering into this or any other arrangement involving tax and legal economic considerations.



This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

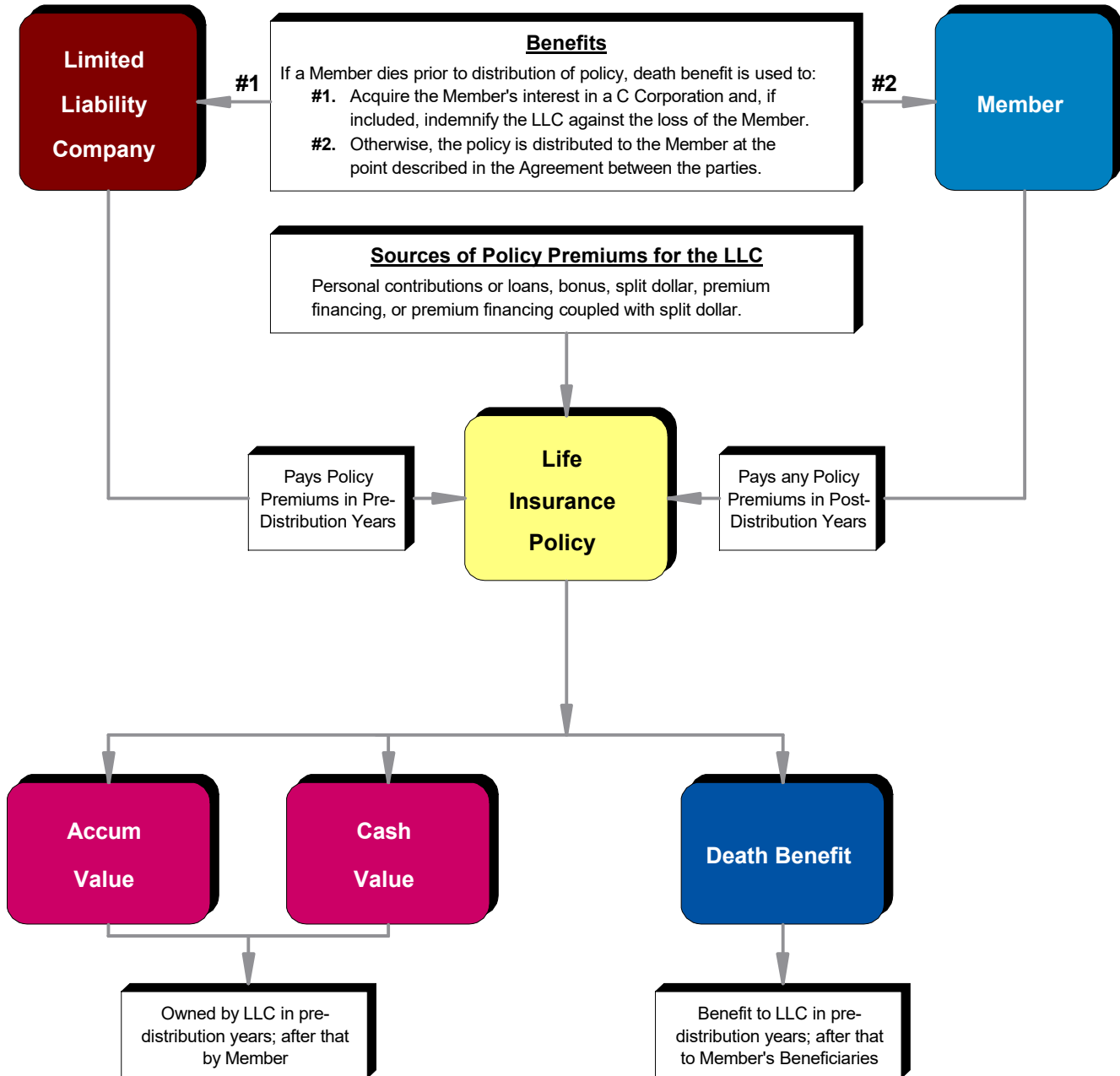
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Who Pays What - Who Receives What

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



When the policy is distributed to the Member as a K-1 distribution, no gain or loss need be recognized by the LLC on a distribution of property to a Member IRC Sec. 731(b)). (A life insurance policy is legally considered property). Likewise, no gain or loss need be recognized by the Member receiving the policy, regardless of whether the value of the policy is higher or lower than the adjusted basis Member's interest in the LLC. (IRC Sec. 731(a)). The basis of property (the policy in this case) distributed by the LLC to a Member, other than in liquidation of the Member's interest, is its adjusted basis to the LLC immediately before the distribution (which is the sum of the premiums paid by the LLC less any withdrawals made by the LLC prior to the distribution (IRS Rev. Proc. 2005-25)). LLCs have significant flexibility in how they account for assets, and the taxation of the policy distribution should be able to be arranged in this manner.

If multiple members are insured, the tax consequences of each distributed policy should be the same.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Illustration of Policy Values Funding the Plan

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Indexed UL Interest Rate 6.50%	Initial Premium 0	Initial Death Benefit 9,500,000	LLC's (Key Member's) Tax Bracket 40.00%			
Year	Male Age	(1) Premium Payment	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(4a) Pre-Tax Equivalent Rate of Return of Cash Value*	(5) Policy Death Benefit	(5a) Pre-Tax Equivalent Rate of Return of Death Benefit
1	45	0	0	347,057	208,974	n/a	9,847,057	n/a
2	46	0	0	722,070	585,935	n/a	10,222,070	n/a
3	47	0	0	1,127,293	993,200	n/a	10,627,293	n/a
4	48	0	0	1,565,158	1,433,203	n/a	11,065,158	n/a
5	49	0	0	2,038,295	1,908,525	n/a	11,538,295	n/a
6	50	0	0	2,151,902	2,024,364	n/a	11,651,902	n/a
7	51	0	0	2,274,660	2,149,402	n/a	11,774,660	n/a
8	52	0	0	2,407,306	2,302,949	n/a	11,907,306	n/a
9	53	0	0	2,550,638	2,467,133	n/a	12,050,638	n/a
10	54	0	0	2,705,516	2,642,911	n/a	12,205,516	n/a
11	55	0	0	2,872,870	2,831,117	n/a	12,372,870	n/a
12	56	0	0	3,053,705	3,032,853	n/a	12,553,705	n/a
13	57	0	0	3,257,949	3,257,949	n/a	12,757,949	n/a
14	58	0	0	3,478,646	3,478,646	n/a	12,978,646	n/a
15	59	0	0	3,715,660	3,715,660	n/a	13,215,660	n/a
16	60	0	0	3,989,637	3,989,637	n/a	13,489,637	n/a
17	61	0	0	4,282,817	4,282,817	n/a	13,782,817	n/a
18	62	0	0	4,596,175	4,596,175	n/a	14,096,175	n/a
19	63	0	0	4,930,357	4,930,357	n/a	14,430,357	n/a
20	64	0	0	5,286,592	5,286,592	n/a	14,786,592	n/a
21	65	0	300,000	5,674,757	3,259,757	Infinite	7,085,000	Infinite
22	66	0	309,000	6,090,566	3,230,366	Infinite	6,639,800	Infinite
23	67	0	318,270	6,536,468	3,199,074	Infinite	6,162,607	Infinite
24	68	0	327,818	7,015,126	3,166,654	Infinite	5,651,528	Infinite
25	69	0	337,653	7,529,100	3,133,669	Infinite	5,104,569	Infinite
26	70	0	347,782	8,081,962	3,101,588	Infinite	4,519,626	Infinite
27	71	0	358,216	8,678,520	3,073,000	Infinite	4,201,208	Infinite
28	72	0	368,962	9,322,615	3,049,410	Infinite	4,074,898	Infinite
29	73	0	380,031	10,013,825	3,027,927	Infinite	3,929,171	Infinite
30	74	0	391,432	10,756,140	3,009,943	Infinite	3,762,873	Infinite
		0	3,439,164					

### 30 Year Summary

Cum. Premium Payments	0
Cum. Policy Loan Proceeds	3,439,164
Accum Value	3,009,943
Death Benefit	3,762,873

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.



# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Illustration of Policy Values Funding the Plan

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Indexed UL Interest Rate 6.50%	Initial Premium 0	Initial Death Benefit 9,500,000	LLC's (Key Member's) Tax Bracket 40.00%			
Year	Male Age	(1) Premium Payment	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(4a) Pre-Tax Equivalent Rate of Return of Cash Value*	(5) Policy Death Benefit	(5a) Pre-Tax Equivalent Rate of Return of Death Benefit
31	75	0	403,175	11,554,046	2,997,206	Infinite	3,574,908	Infinite
32	76	0	415,270	12,408,488	2,987,772	Infinite	3,608,196	Infinite
33	77	0	427,728	13,323,314	2,982,448	Infinite	3,648,613	Infinite
34	78	0	440,560	14,302,591	2,982,093	Infinite	3,697,223	Infinite
35	79	0	453,777	15,350,648	2,987,659	Infinite	3,755,192	Infinite
36	80	0	467,390	16,471,964	3,000,066	Infinite	3,823,664	Infinite
37	81	0	481,412	17,671,015	3,020,040	Infinite	3,903,591	Infinite
38	82	0	495,854	18,952,706	3,048,536	Infinite	3,996,171	Infinite
39	83	0	510,730	20,322,120	3,086,474	Infinite	4,102,580	Infinite
40	84	0	526,052	21,783,503	3,133,720	Infinite	4,222,895	Infinite
41	85	0	541,833	23,340,311	3,189,115	Infinite	4,356,131	Infinite
42	86	0	558,088	24,997,721	3,252,972	Infinite	4,502,858	Infinite
43	87	0	574,831	26,759,779	3,324,220	Infinite	4,662,209	Infinite
44	88	0	592,076	28,628,991	3,399,975	Infinite	4,831,424	Infinite
45	89	0	609,838	30,607,872	3,477,074	Infinite	5,007,468	Infinite
46	90	0	628,133	32,697,629	3,550,751	Infinite	5,185,632	Infinite
47	91	0	646,977	34,940,869	3,657,321	Infinite	5,054,956	Infinite
48	92	0	666,387	37,360,623	3,813,192	Infinite	4,934,010	Infinite
49	93	0	686,378	39,987,363	4,041,863	Infinite	4,841,611	Infinite
50	94	0	706,970	42,859,671	4,374,577	Infinite	4,803,174	Infinite
51	95	0	728,179	46,023,890	4,849,954	Infinite	4,849,954	Infinite
52	96	0	750,024	49,423,076	5,402,919	Infinite	5,402,919	Infinite
53	97	0	772,525	53,074,997	6,042,680	Infinite	6,042,680	Infinite
54	98	0	795,701	56,998,786	6,779,368	Infinite	6,779,368	Infinite
55	99	0	819,572	61,215,052	7,624,113	Infinite	7,624,113	Infinite
		0	18,138,624					

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

### 55 Year Summary

Cum. Premium Payments	0
Cum. Policy Loan Proceeds	18,138,624
Accum Value	7,624,113
Death Benefit	7,624,113

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Plan Sponsor's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)		Policy Transfer to Key Member is Illustrated at Beginning of Year 21		Indexed UL Interest Rate 6.50%			
Year	Male Age	(1) Premium Payment	(2) Cumulative Premium Payments	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Portion of Policy Death Benefit to Acquire Member's LLC Interest	(6) Portion of Policy Death Benefit to Indemnify the LLC	(7) Total Policy Death Benefit Required (5) + (6)**	(8) Total Policy Death Benefit Provided
1	45	0	0	347,057	208,974	9,347,057	500,000	9,847,057	9,847,057
2	46	0	0	722,070	585,935	9,722,070	500,000	10,222,070	10,222,070
3	47	0	0	1,127,293	993,200	10,127,293	500,000	10,627,293	10,627,293
4	48	0	0	1,565,158	1,433,203	10,565,158	500,000	11,065,158	11,065,158
5	49	0	0	2,038,295	1,908,525	11,038,295	500,000	11,538,295	11,538,295
6	50	0	0	2,151,902	2,024,364	11,151,902	500,000	11,651,902	11,651,902
7	51	0	0	2,274,660	2,149,402	11,274,660	500,000	11,774,660	11,774,660
8	52	0	0	2,407,306	2,302,949	11,407,306	500,000	11,907,306	11,907,306
9	53	0	0	2,550,638	2,467,133	11,550,638	500,000	12,050,638	12,050,638
10	54	0	0	2,705,516	2,642,911	11,705,516	500,000	12,205,516	12,205,516
11	55	0	0	2,872,870	2,831,117	11,872,870	500,000	12,372,870	12,372,870
12	56	0	0	3,053,705	3,032,853	12,053,705	500,000	12,553,705	12,553,705
13	57	0	0	3,257,949	3,257,949	12,257,949	500,000	12,757,949	12,757,949
14	58	0	0	3,478,646	3,478,646	12,478,646	500,000	12,978,646	12,978,646
15	59	0	0	3,715,660	3,715,660	12,715,660	500,000	13,215,660	13,215,660
16	60	0	0	3,989,637	3,989,637	12,989,637	500,000	13,489,637	13,489,637
17	61	0	0	4,282,817	4,282,817	13,282,817	500,000	13,782,817	13,782,817
18	62	0	0	4,596,175	4,596,175	13,596,175	500,000	14,096,175	14,096,175
19	63	0	0	4,930,357	4,930,357	13,930,357	500,000	14,430,357	14,430,357
20	64	0	0	5,286,592	5,286,592	14,286,592	500,000	14,786,592	14,786,592
21	65	0	0	0	0	0	0	0	0
22	66	0	0	0	0	0	0	0	0
23	67	0	0	0	0	0	0	0	0
24	68	0	0	0	0	0	0	0	0
25	69	0	0	0	0	0	0	0	0
26	70	0	0	0	0	0	0	0	0
27	71	0	0	0	0	0	0	0	0
28	72	0	0	0	0	0	0	0	0
29	73	0	0	0	0	0	0	0	0
30	74	0	0	0	0	0	0	0	0
			0						

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

\*\*Key Member Coverage is terminated at the beginning of year 21 when the policy is transferred to the Key Member.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Plan Sponsor's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

		Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)			Policy Transfer to Key Member is Illustrated at Beginning of Year 21		Indexed UL Interest Rate 6.50%			
Year	Male Age	(1) Premium Payment	(2) Cumulative Premium Payments	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Portion of Policy Death Benefit to Acquire Member's LLC Interest	(6) Portion of Policy Death Benefit to Indemnify the LLC	(7) Total Policy Death Benefit Required (5) + (6)**	(8) Total Policy Death Benefit Provided	
31	75	0	0	0	0	0	0	0	0	
32	76	0	0	0	0	0	0	0	0	
33	77	0	0	0	0	0	0	0	0	
34	78	0	0	0	0	0	0	0	0	
35	79	0	0	0	0	0	0	0	0	
36	80	0	0	0	0	0	0	0	0	
37	81	0	0	0	0	0	0	0	0	
38	82	0	0	0	0	0	0	0	0	
39	83	0	0	0	0	0	0	0	0	
40	84	0	0	0	0	0	0	0	0	
41	85	0	0	0	0	0	0	0	0	
42	86	0	0	0	0	0	0	0	0	
43	87	0	0	0	0	0	0	0	0	
44	88	0	0	0	0	0	0	0	0	
45	89	0	0	0	0	0	0	0	0	
46	90	0	0	0	0	0	0	0	0	
47	91	0	0	0	0	0	0	0	0	
48	92	0	0	0	0	0	0	0	0	
49	93	0	0	0	0	0	0	0	0	
50	94	0	0	0	0	0	0	0	0	
51	95	0	0	0	0	0	0	0	0	
52	96	0	0	0	0	0	0	0	0	
53	97	0	0	0	0	0	0	0	0	
54	98	0	0	0	0	0	0	0	0	
55	99	0	0	0	0	0	0	0	0	

0

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

\*\*Key Member Coverage is terminated at the beginning of year 21 when the policy is transferred to the Key Member.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Key Member's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)      Policy Transfer to Key Member is Illustrated at Beginning of Year 21      LLC's (Key Member's) Tax Bracket 40.00%      Indexed UL Interest Rate 6.50%

Year	Male Age	(1) Premium Payment	(2) Retirement Income Net Policy Loan Proceeds	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Policy Death Benefit
1	45	0	0	0	0	0
2	46	0	0	0	0	0
3	47	0	0	0	0	0
4	48	0	0	0	0	0
5	49	0	0	0	0	0
6	50	0	0	0	0	0
7	51	0	0	0	0	0
8	52	0	0	0	0	0
9	53	0	0	0	0	0
10	54	0	0	0	0	0
11	55	0	0	0	0	0
12	56	0	0	0	0	0
13	57	0	0	0	0	0
14	58	0	0	0	0	0
15	59	0	0	0	0	0
16	60	0	0	0	0	0
17	61	0	0	0	0	0
18	62	0	0	0	0	0
19	63	0	0	0	0	0
20	64	0	0	0	0	0
21	65	0	300,000	5,674,757	3,259,757	7,085,000
22	66	0	309,000	6,090,566	3,230,366	6,639,800
23	67	0	318,270	6,536,468	3,199,074	6,162,607
24	68	0	327,818	7,015,126	3,166,654	5,651,528
25	69	0	337,653	7,529,100	3,133,669	5,104,569
26	70	0	347,782	8,081,962	3,101,588	4,519,626
27	71	0	358,216	8,678,520	3,073,000	4,201,208
28	72	0	368,962	9,322,615	3,049,410	4,074,898
29	73	0	380,031	10,013,825	3,027,927	3,929,171
30	74	0	391,432	10,756,140	3,009,943	3,762,873
		0	3,439,164			

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Key Member's Summary of Costs and Benefits

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Form of Transaction (Key Member Coverage with Deferred K-1 Distribution of Policy to Key Member)      Policy Transfer to Key Member is Illustrated at Beginning of Year 21      LLC's (Key Member's) Tax Bracket 40.00%      Indexed UL Interest Rate 6.50%

Year	Male Age	(1) Premium Payment	(2) Retirement Income Net Policy Loan Proceeds	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Policy Death Benefit
31	75	0	403,175	11,554,046	2,997,206	3,574,908
32	76	0	415,270	12,408,488	2,987,772	3,608,196
33	77	0	427,728	13,323,314	2,982,448	3,648,613
34	78	0	440,560	14,302,591	2,982,093	3,697,223
35	79	0	453,777	15,350,648	2,987,659	3,755,192
36	80	0	467,390	16,471,964	3,000,066	3,823,664
37	81	0	481,412	17,671,015	3,020,040	3,903,591
38	82	0	495,854	18,952,706	3,048,536	3,996,171
39	83	0	510,730	20,322,120	3,086,474	4,102,580
40	84	0	526,052	21,783,503	3,133,720	4,222,895
41	85	0	541,833	23,340,311	3,189,115	4,356,131
42	86	0	558,088	24,997,721	3,252,972	4,502,858
43	87	0	574,831	26,759,779	3,324,220	4,662,209
44	88	0	592,076	28,628,991	3,399,975	4,831,424
45	89	0	609,838	30,607,872	3,477,074	5,007,468
46	90	0	628,133	32,697,629	3,550,751	5,185,632
47	91	0	646,977	34,940,869	3,657,321	5,054,956
48	92	0	666,387	37,360,623	3,813,192	4,934,010
49	93	0	686,378	39,987,363	4,041,863	4,841,611
50	94	0	706,970	42,859,671	4,374,577	4,803,174
51	95	0	728,179	46,023,890	4,849,954	4,849,954
52	96	0	750,024	49,423,076	5,402,919	5,402,919
53	97	0	772,525	53,074,997	6,042,680	6,042,680
54	98	0	795,701	56,998,786	6,779,368	6,779,368
55	99	0	819,572	61,215,052	7,624,113	7,624,113
		0	18,138,624			

\*This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Details of the Tax Consequences When the Policy is Distributed to the Key Member

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Form of Transaction  
(Key Member Coverage with  
Deferred K-1 Distribution  
of Policy to Key Member)

Policy Transfer to  
Key Member is Illustrated  
at Beginning of Year  
21

### **K-1 Distribution Details:**

Year the K-1 Distribution is illustrated: Beginning of year 21  
Accumulation value of policy when distributed: \$5,286,592  
LLC cumulative premiums prior to distribution: \$0  
Member's cumulative premiums prior to distribution: \$0

### **Tax Consequences of the K-1 Distribution:**

*(The following taxation remarks apply whether one member or multiple members are insured\*.)*

When the policy is distributed, no gain or loss need be recognized by the Limited Liability Company on a distribution of property (a life insurance policy is legally considered property) to a member (IRC Sec. 731(b)). Likewise, no gain or loss need be recognized by the member receiving the policy, regardless of whether the value of the policy is higher or lower than the member's adjusted basis in the member's interest in the LLC (IRC Sec. 731(a)).

The member's basis in the policy distributed by the LLC to the member is its adjusted basis to the LLC immediately before the distribution (which is the sum of the premiums paid by the LLC less any withdrawals made by the LLC prior to the distribution (IRS Rev. Proc. 2005-25)). The distributee member's basis in the property cannot exceed the adjusted basis of the member's interest in the LLC reduced by any money distributed in the same transaction (IRC Sec. 732(a)). (If multiple members are insured, the tax consequences of each distributed policy should be the same.)

For this case, the member's illustrated basis in the policy at the point of distribution is \$0.

Any premium payments, increase in policy values, or policy activity (loans, withdrawals, etc.) in the year of distribution are presumed to occur after the distribution takes place.

\*Because the LLC is taxed as a Partnership, it has significant flexibility in how it accounts for assets, and the taxation of policy distributions should be able to be arranged in this manner. (Some states do not allow LLCs with only one member.)

\*LLC accounting is complex and should only be done by a qualified professional. Be sure to consult with your own legal and tax advisers before entering into this or any other arrangement involving legal, tax, and economic considerations.

# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Benefit Summary

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

Indexed UL Interest Rate 6.50%	Initial Death Benefit 9,500,000	<u>Policy Owner</u> LLC Until Transferred to Member in Year 21	<u>Policy Premiums Prior to Transfer</u> Paid by Business \$0 for 1st 0 Yrs	Paid by Member \$0
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<b>Benefits for Oliver Belmont</b>	<b>See Report Entitled</b>
Policy illustrated transferred to the Member at the beginning of year 21.	Member's Summary of Costs and Benefits
Member's out-of-pocket cost for tax on the transfer in year 21: \$0	Member's Cost Analysis
Member's illustrated cash value at end of year 21: \$3,259,757	Member's Summary of Costs and Benefits
Member's illustrated cum. retirement cash flow* for all 35 years: \$18,138,624	Member's Summary of Costs and Benefits
Member's illustrated death benefit at end of year 21: \$7,085,000	Member's Summary of Costs and Benefits

\*Cash flow is received **income tax free** according to current tax rules assuming it involves withdrawals to basis and/or loans. Withdrawals that exceed cost basis are taxed.

<b>Benefits for Stafford &amp; Belmont, LLC</b>	<b>See Report Entitled</b>
Cash value of life insurance policy owned by the business just prior to transfer of the policy: \$5,286,592	Plan Sponsor's Summary of Costs and Benefits
Lowest illustrated life insurance death benefit to indemnify the business prior to the transfer of the policy: \$9,847,057	Plan Sponsor's Summary of Costs and Benefits
Illustrated tax savings for the business upon transfer of the policy: \$0	Details of the Tax Consequences
Should the Member fail to complete the terms of the agreement associated with the plan, the transfer of the policy is forfeited, and all policy values remain an asset of the business.	

This illustration assumes that the currently illustrated, non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

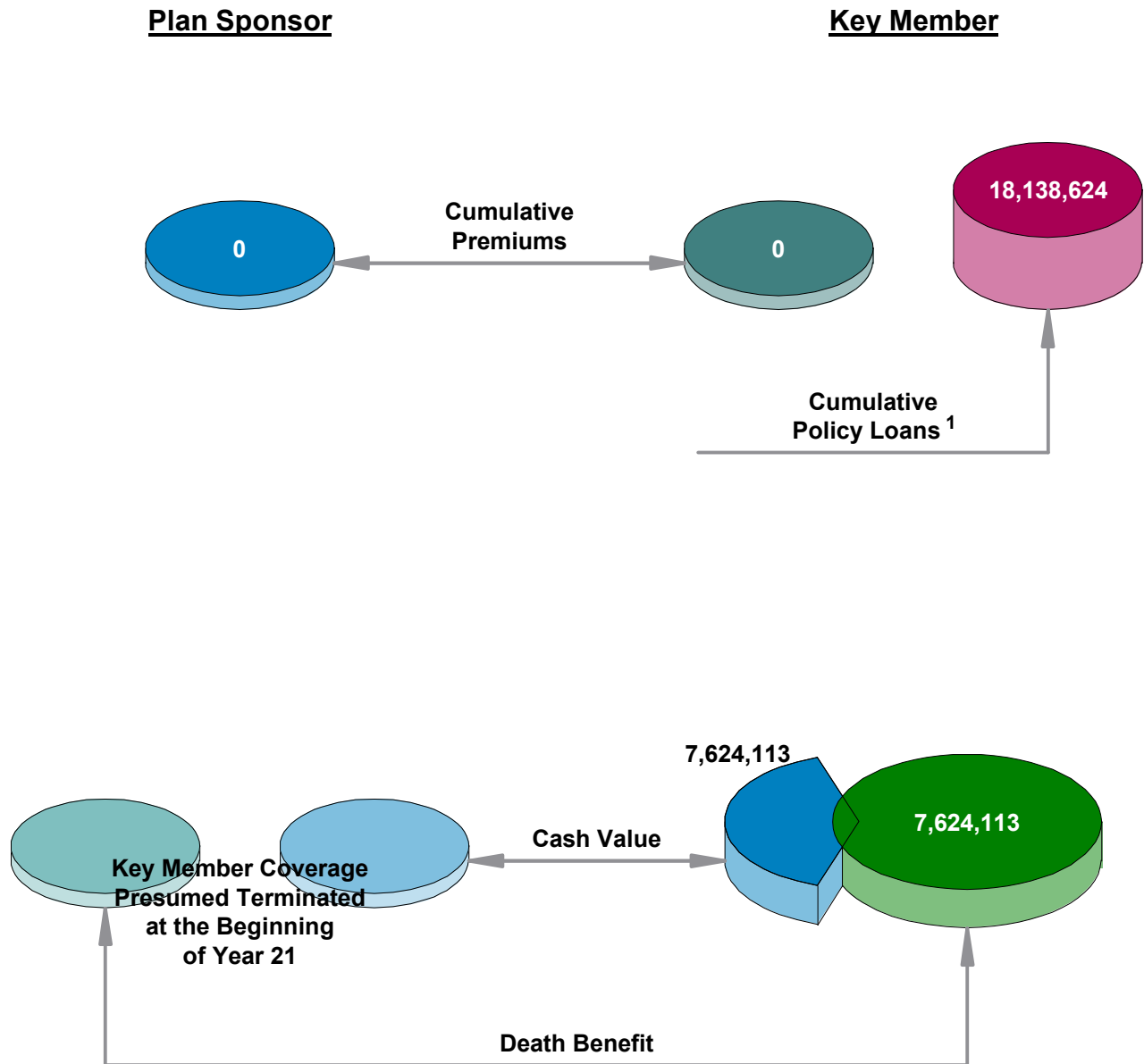
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

A Look at Year 55

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



<sup>1</sup>For Retirement Income.



# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

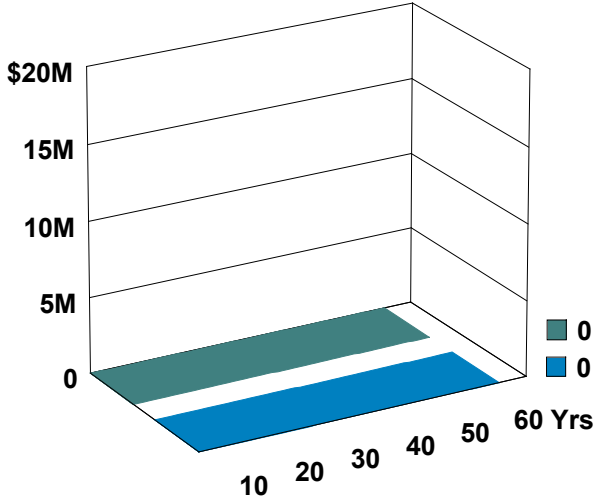
Insured: Oliver Belmont

## 55 Year Analysis

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company

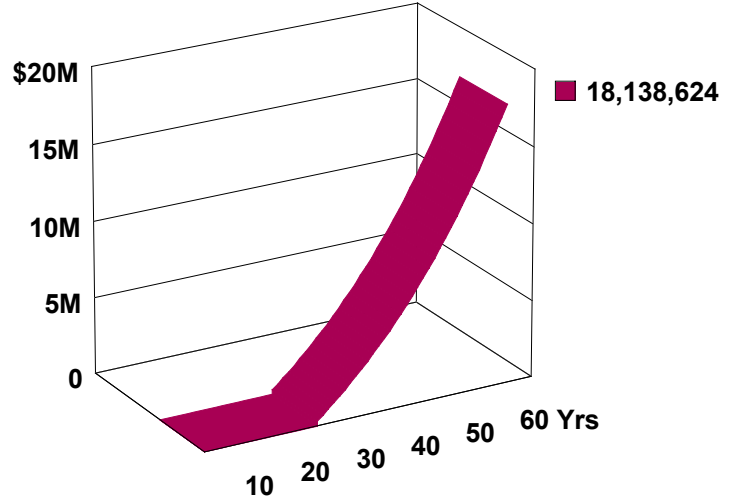
### Premiums

Plan Sponsor's Cum. Premiums	\$0
Key Member's Cum. Premiums	\$0



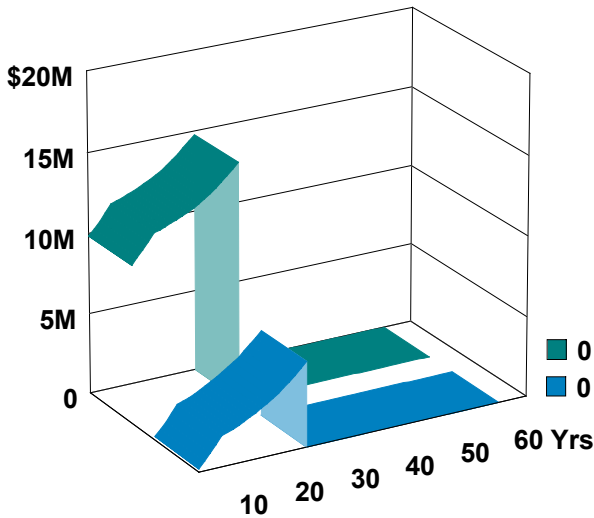
### Key Member's Policy Loans

Cum. Policy Loans <sup>1</sup>	\$18,138,624
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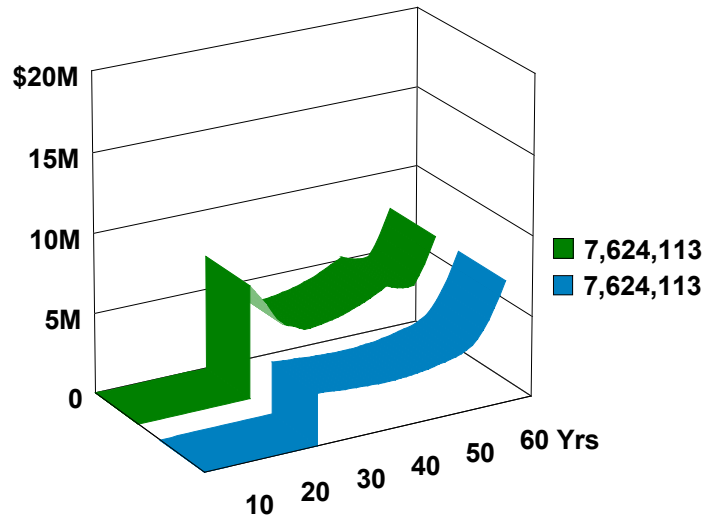
### Plan Sponsor's Values

Death Benefit	\$0
Cash Value	\$0



### Key Member's Values

Death Benefit	\$7,624,113
Cash Value	\$7,624,113



<sup>1</sup>For Retirement Income.

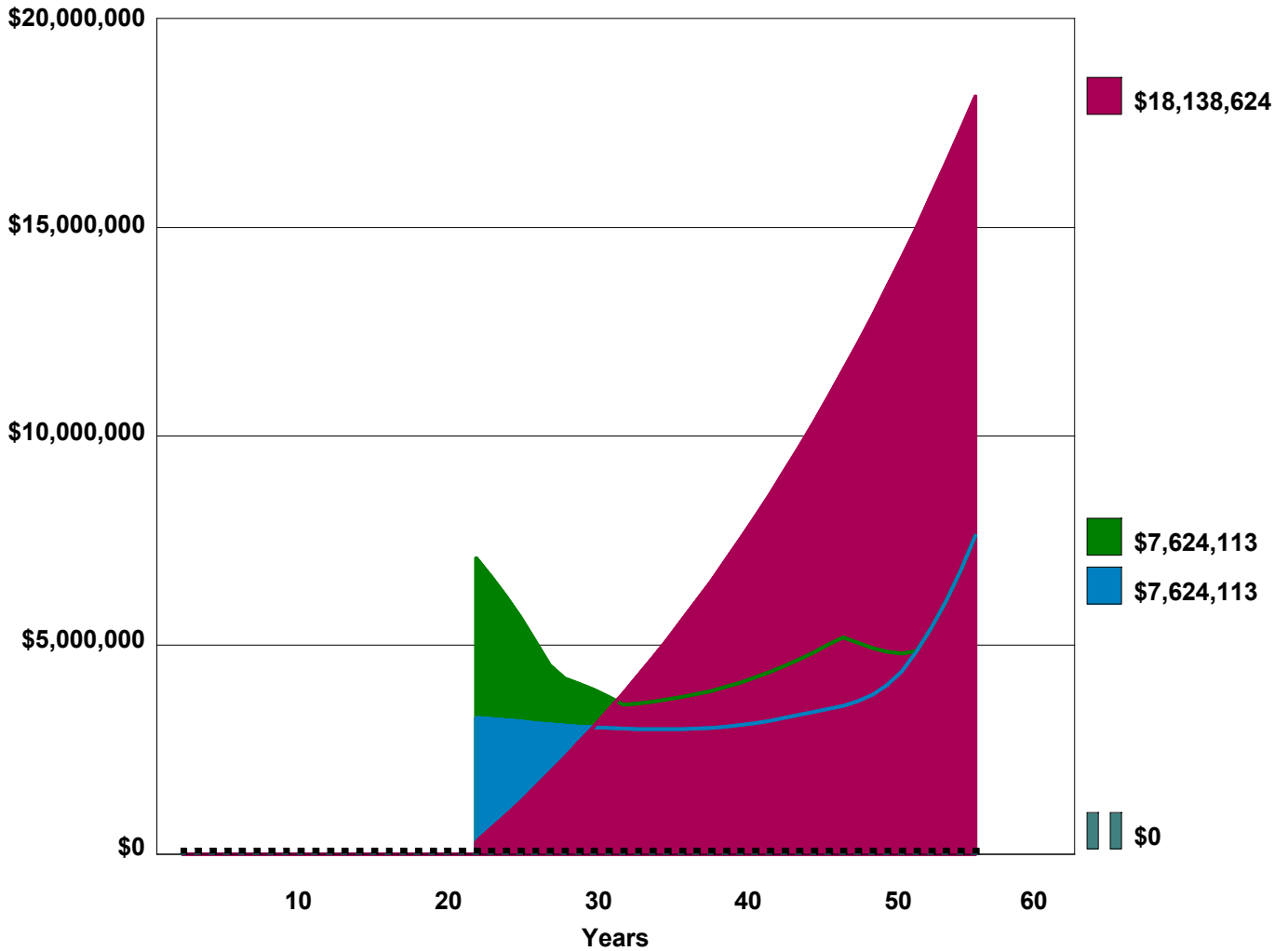
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Key Member's 55 Year Analysis

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



	<u>At Year 55</u>
Key Member's Cumulative Premiums	\$0
Key Member's Cumulative Policy Loans <sup>1</sup>	\$18,138,624
Key Member's Cash Value	\$7,624,113
Key Member's Death Benefit	\$7,624,113

<sup>1</sup>For Retirement Income.

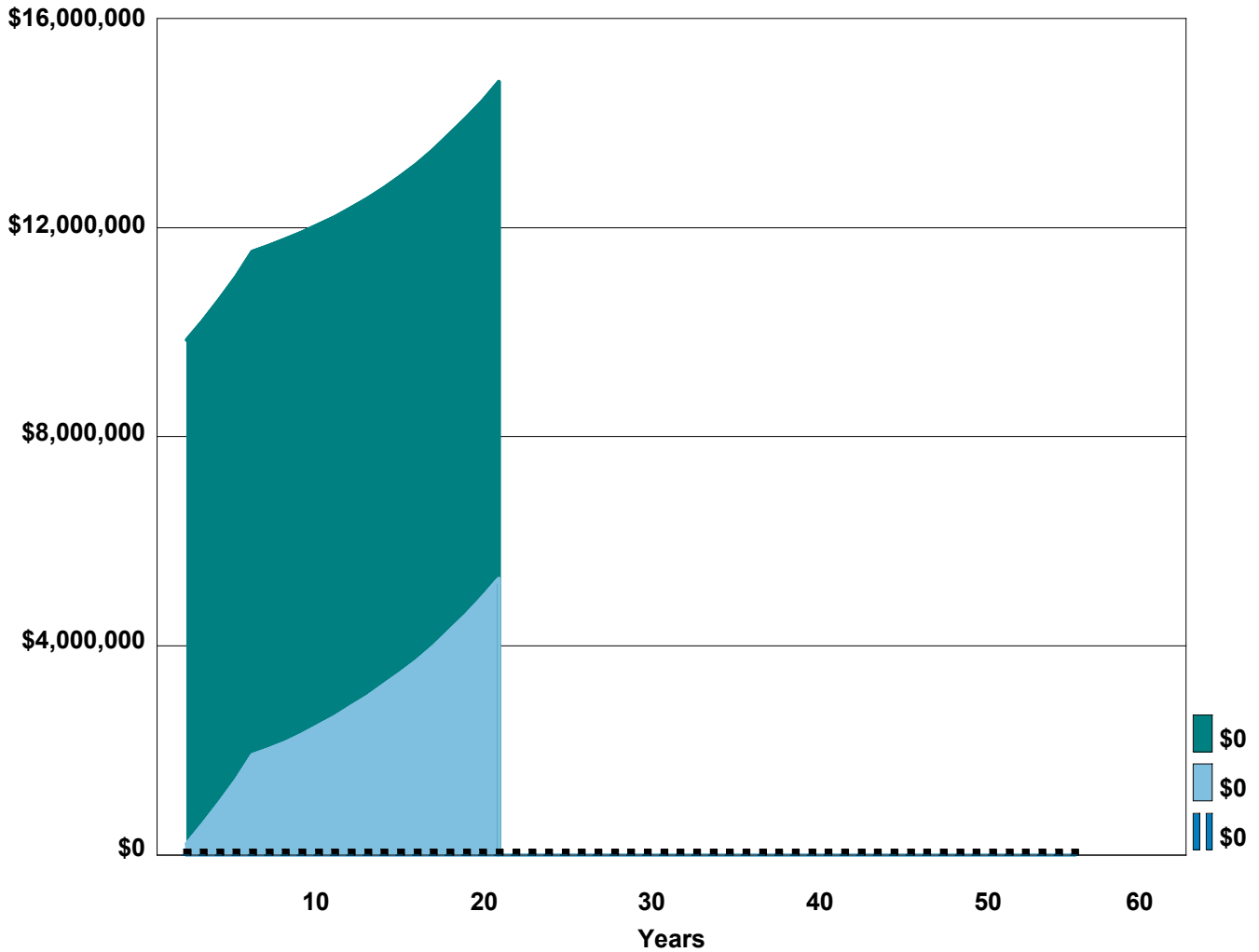
# Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Oliver Belmont

## Plan Sponsor's 55 Year Analysis

Plan Sponsor: Stafford & Belmont, LLC  
Limited Liability Company



### At Year 55

Plan Sponsor's Cumulative Premiums	\$0
Plan Sponsor's Cash Value	\$0
Plan Sponsor's Death Benefit	\$0

## Supplemental Report

### **Important Note (Composite)**

This material is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.