

# Structured Installment Sales: Business Sales

## The Problem with Selling Your Business—TAXES

When selling a business or professional practice, owners must pay many different taxes, including:

- Capital gains taxes
- Depreciation Recapture
- State Taxes
- Municipal taxes
- “C” Corp Taxes (where applicable)

These taxes can take from 15% to over 60% of your proceeds.

## The Solution—STRUCTURED INSTALLMENT SALE

You can now defer your taxes over many years, while also designing a guaranteed income stream tailored to meet your specific needs. The benefits of this strategy include:

- Tax deferral on future proceeds
- Custom designed payment streams
- Highly competitive rates of return
- Payments 100% guaranteed by a major Life Insurance Company
- Excellent planning tool
- Ensure your future income needs

## What is an Installment Sale?

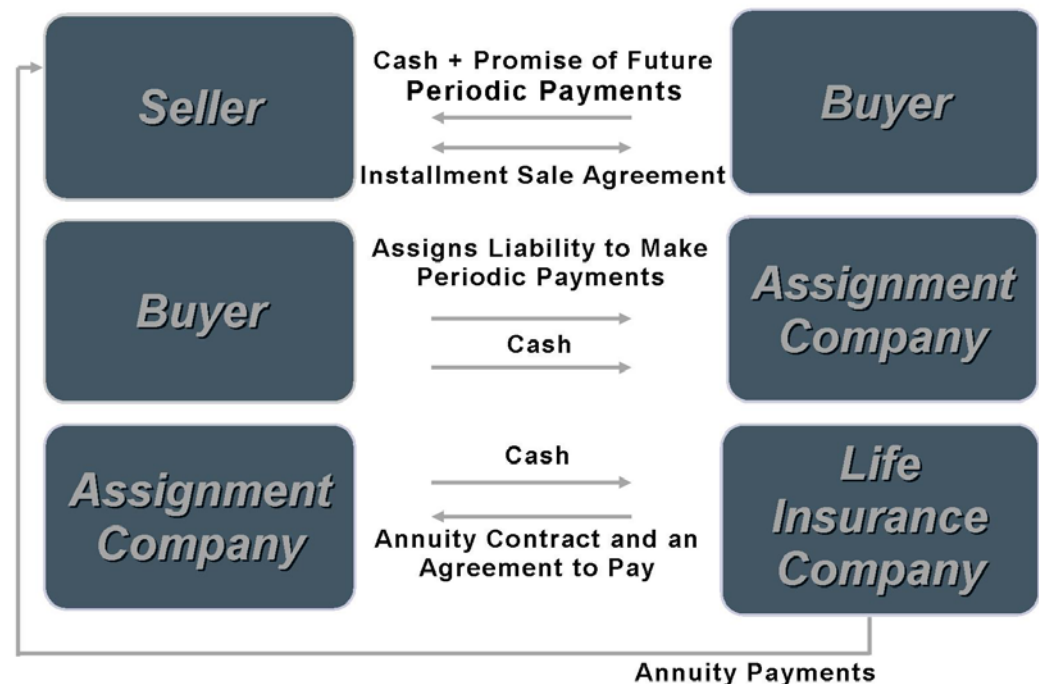
An installment sale is defined in Section 453 of the Internal Revenue Code. The code states any future payments from the sale of land are deemed taxable in the year in which they are received. Therefore, the principal can grow on a pre-tax basis, drastically improving your tax equivalent rate of return.

## The Problem with Traditional Installment Sales:

The buyer, usually an individual or small business, agrees to pay the seller over a long period of time and is responsible for making all of the future payments. Under this scenario, the seller is at risk of not being paid if the individual or small business buyer defaults on the loan. The fear of non-payment has kept this concept from being widely utilized.

## The Solution:

A structured installment sale essentially removes the credit risk from the transaction without losing any of the advantages inherent with traditional installment sales—such as receipt of a regular monthly income; deferred cash payments; and deferred taxation on capital gains. The individual or small business buyer pays the present value cash amount to an assignment company which, in turn, purchases a fixed annuity from an affiliated highly rated and secure life insurance company that guarantees payments.



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## Structured Business Sale Example

	<b>Lump Sum</b>	<b>Structured Sale</b>
<b>Lump Sum Sale vs. Structured Installment Sale</b>		
<b>Sale Proceeds</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
Federal Capital Gains & Depreciation Taxes	\$(185,000)	\$0
State Taxes (6%)*	\$(54,000)	\$0
<b>Taxes Paid in Year 1</b>	<b>\$(239,000)</b>	<b>\$0</b>
<b>Net to invest in Year 1</b>	<b>\$761,000</b>	<b>\$1,000,000</b>

\*Varies by State

Seller will pay taxes on future periodic payments. This tax deferral strategy will greatly enhance the taxable equivalent return. This example assumes a \$100,000 basis and \$500,000 of accumulated depreciation.

***Through a structured business sale, you receive all of the benefits without the risk:***

- Taxes deferred over a long period of time
- A plan designed specific to your needs
- Receipt of payments guaranteed by life insurance company

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