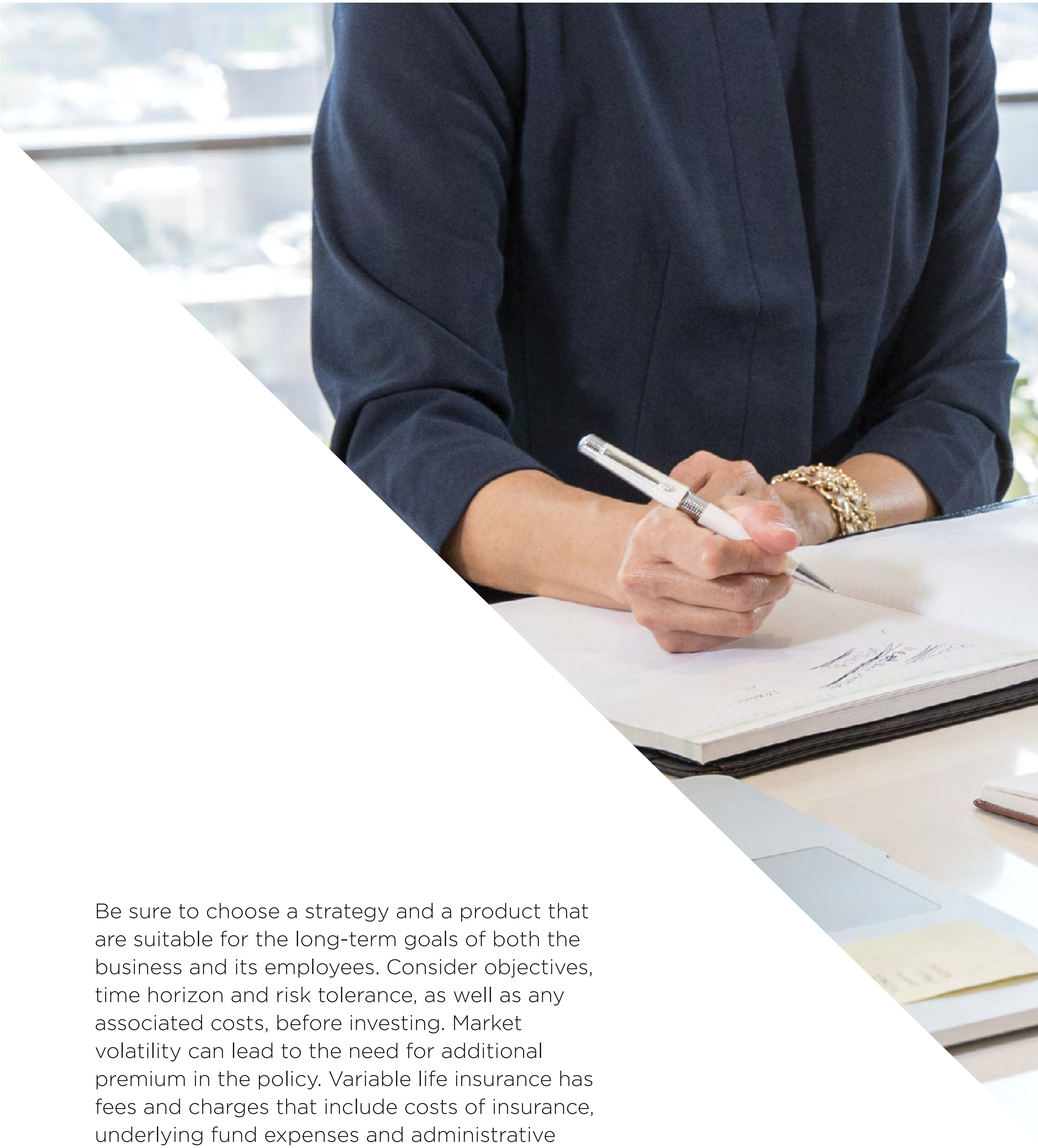
Nationwide®
is on your side

Business succession planning | Business owner guide

Prepare for a seamless transition with a business succession plan



Be sure to choose a strategy and a product that are suitable for the long-term goals of both the business and its employees. Consider objectives, time horizon and risk tolerance, as well as any associated costs, before investing. Market volatility can lead to the need for additional premium in the policy. Variable life insurance has fees and charges that include costs of insurance, underlying fund expenses and administrative fees. Investing involves risk, including possible loss of principal.

Prepare your business to succeed without you

You've spent a lot of time and energy building a successful business that your family members and employees can rely on, but at some point, you're going to transition out of your business. Having a plan for that transition can mean the difference between success and failure.

This guide will help you understand how business succession plans work and how your financial professional can help you implement one that's right for you.

Key information to look for inside:

1. We've provided some questions to help you identify your business succession goals
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2. Consider three simple and effective types of plans that may be right for you and your business
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3. Nationwide has a specialized team and many resources designed to make business succession planning easier
Page 18

It’s easy to implement a business succession plan

A business succession plan is simply an agreement between the seller and a buyer of the business that defines:

- Triggering events that will initiate a transfer of the business
- A purchase price that reflects the true value of the business
- How the seller should be paid for his or her interest in the business

Of course, it’s important for an attorney to draft the agreement, but our team of specialists can help by providing sample agreements and consultative support.

Identify your business succession goals

Every business owner is different. Some will use their business as their own retirement fund or as a source of income for their surviving spouse, while others may leave it to their children as a gift. As you think through this for yourself, some good questions to answer are:

- What are your personal plans for the future?
- What's your plan for the future of the business?
- How would you like to transition out of the business?
- Who will own the business when you're gone?
- What needs to be done to get the successor ready?
- How will the successor acquire your business interest?
- What do you think your business is worth?
- How much do you need for retirement?
- How much would your family need if you were gone?

By answering these and a few additional questions that we've included in our fact finder, you'll give us the information we need to start developing your business succession plan.

Understand how a business succession plan will help you

A business succession plan helps protect you and your family members from having to find a buyer and negotiate a price and terms when you might lack leverage because of a disability, an impending retirement or an untimely death. The plan will help:

- Identify a market for your business
- Establish funds for the purchase of the business
- Create certainty about the price, terms and financing
- Identify triggering events for succession
- Establish your retirement income
- Provide a sense of security for your surviving family members
- Facilitate a smooth and controlled transition
- Reduce the potential for future litigation

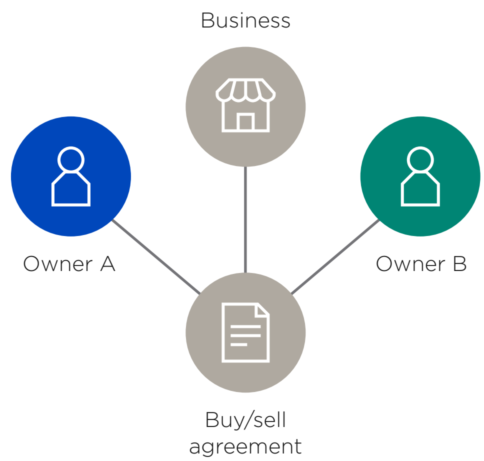
Three simple and effective types of plans

There are many types of business succession plans, and they vary in their level of complexity. Let's focus on understanding just a few simple and effective ones that might work for you.

1 | Entity purchase arrangement

Written agreement

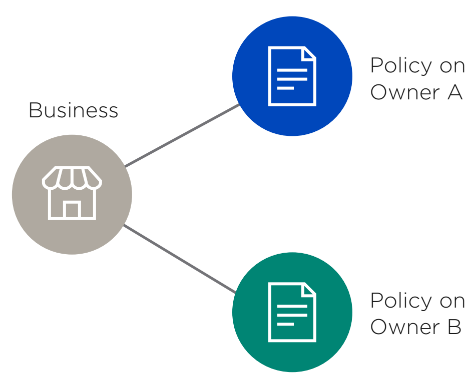
You and your co-owner(s) enter into a written agreement with the business that requires it to buy your business interest upon your disability, retirement or death. The agreement should establish the purchase price and related payment terms.



- Owner A
- Owner B
- Neutral
- Non-owner

Life insurance

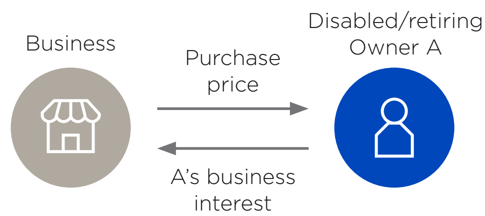
To help ensure that the business will have the funds to pay you, the business applies for, owns, pays the premiums for and is the beneficiary of a life insurance policy insuring your life and the lives of each of your co-owners.



- Owner A
- Owner B
- Neutral
- Non-owner

Disability or retirement

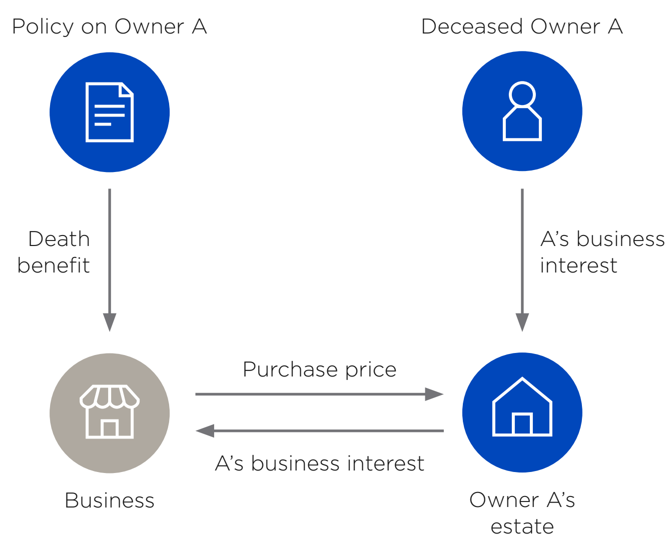
If you become disabled or retire, the business will buy your business interest with a lump-sum payment or installments paid over a preagreed period. The business can access any available cash value or transfer the policy to you as a partial or complete payment. This creates liquidity when you need it most.



- Owner A
- Owner B
- Neutral
- Non-owner

Premature death

If you passed away, the business would receive the death benefit, which it would use to buy your business interest from your estate. The purchase price would typically be paid as a lump sum, ensuring that the estate has liquidity when it needs it most.

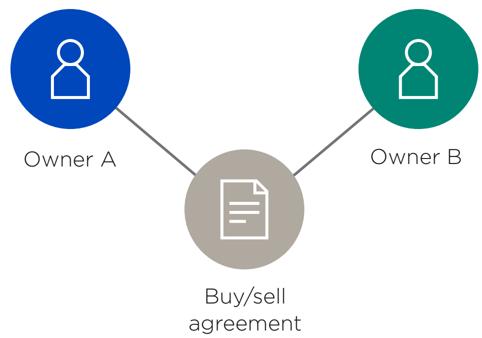


- Owner A
- Owner B
- Neutral
- Non-owner

2 | Cross-purchase arrangement

Written agreement

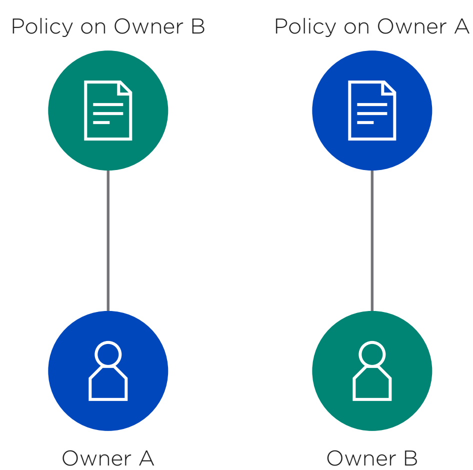
You and your co-owner(s) enter into a written agreement with each other requiring that, if one of you becomes disabled, retires or passes away, the remaining owners will buy the departing or deceased owner's business interest. The agreement should establish the purchase price and related payment terms.



- Owner A
- Owner B
- Neutral
- Non-owner

Life insurance

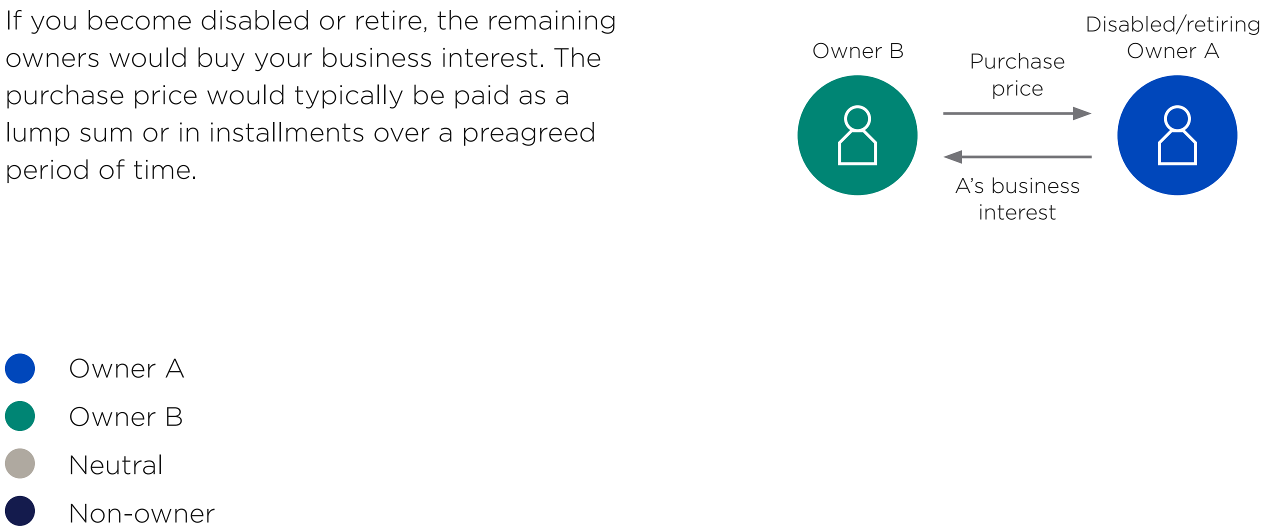
To help ensure that you and your co-owner(s) will have the funds when they're required, each owner applies for, owns, pays the premiums for and is the beneficiary of a life insurance policy on the life of every other owner.



- Owner A
- Owner B
- Neutral
- Non-owner

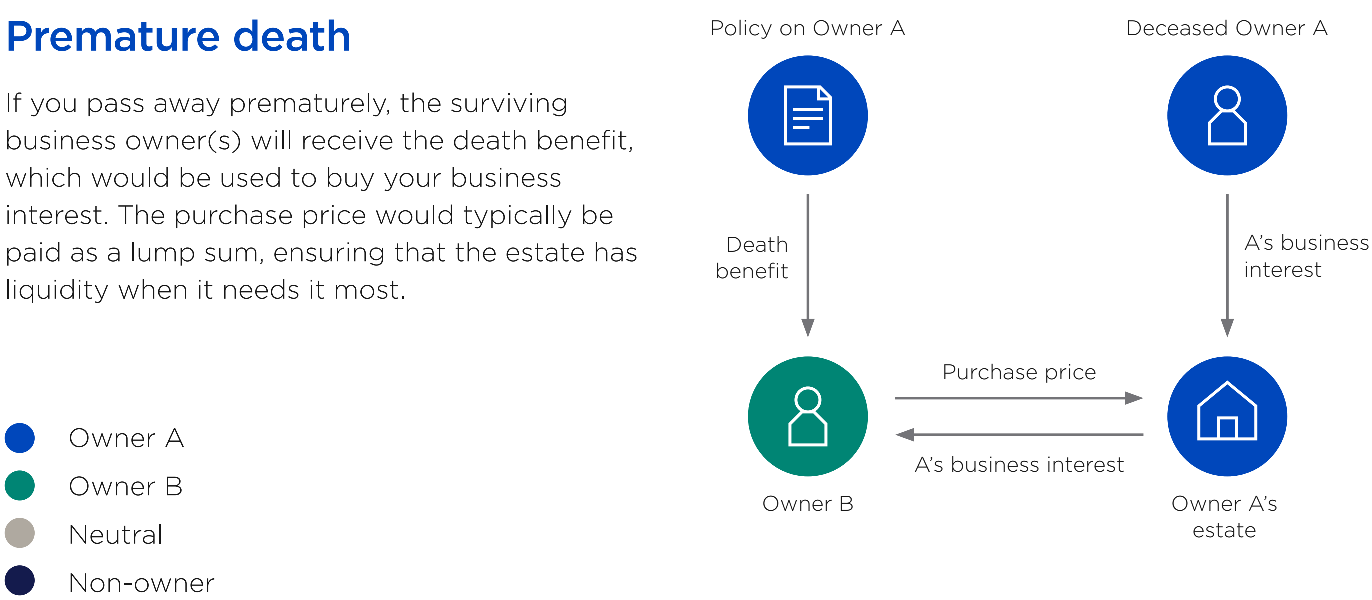
Disability or retirement

If you become disabled or retire, the remaining owners would buy your business interest. The purchase price would typically be paid as a lump sum or in installments over a preagreed period of time.



Premature death

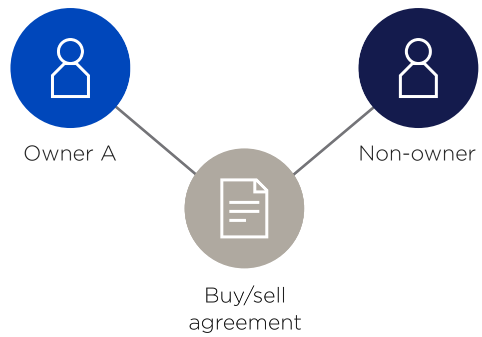
If you pass away prematurely, the surviving business owner(s) will receive the death benefit, which would be used to buy your business interest. The purchase price would typically be paid as a lump sum, ensuring that the estate has liquidity when it needs it most.



3 | One-way purchase arrangement

Written agreement

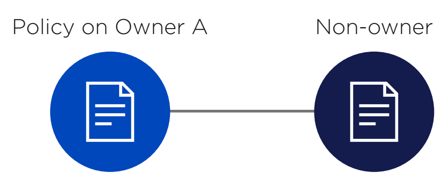
You enter into a written agreement with a nonbusiness owner, such as a key person or family member, who agrees to buy your interest upon your disability, retirement or death. The agreement should also establish the purchase price and related payment terms.



- Owner A
- Owner B
- Neutral
- Non-owner

Life insurance

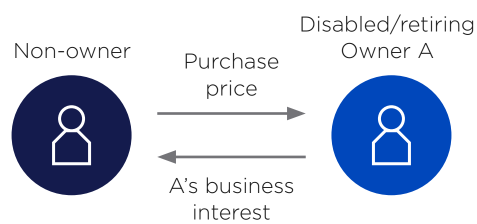
To help ensure that the nonbusiness owner will have the funds when they're required, he or she applies for, owns, pays the premiums for and is the beneficiary of a life insurance policy on you.



- Owner A
- Owner B
- Neutral
- Non-owner

Disability or retirement

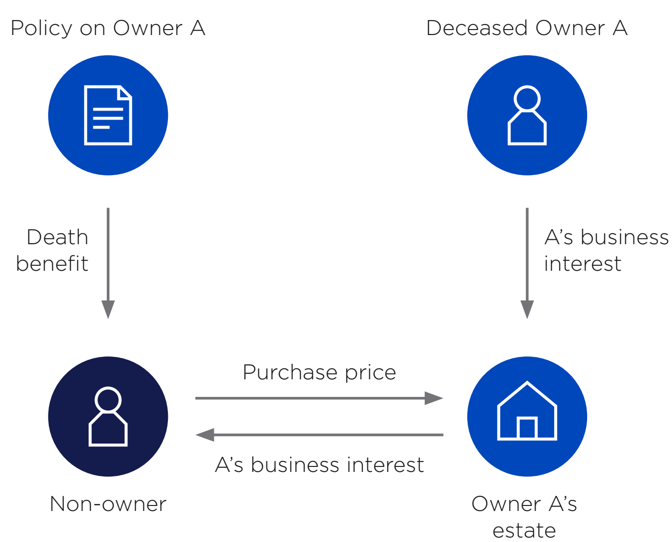
If you become disabled or retire, the nonbusiness owner will buy your business. The purchase price will typically be paid as a lump sum or in installments over a preagreed period of time.



- Owner A
- Owner B
- Neutral
- Non-owner

Premature death

If you pass away prematurely, the nonbusiness owner would receive the death benefit, which would be used to buy your business interest from your estate. The purchase price would typically be paid as a lump sum to your estate, ensuring that your estate has liquidity.



- Owner A
- Owner B
- Neutral
- Non-owner

What's your business worth?

No matter what type of business succession plan you choose, you'll need to know what your business is worth. At some point, you should get a qualified appraisal, but we can get you started with a reasonable estimate of your business value using our Nationwide® Business Valuation Tool.

Examples always help

Gene is a successful entrepreneur who built a publishing business from the ground up. Eventually, he wants to step away from his business and spend time with his grandkids, but he's not entirely sure how he can retire.

- Gene has spent most of his life focused on running a business and didn't accumulate substantial retirement assets
- His business is his biggest retirement asset
- He would love to sell his business to his CFO

Gene and his financial professional get together to discuss options.

- They talk about his goals for the business and his future
- They set a potential date to sell the business to Gene's CFO
- They review all of his retirement income sources and the value of his business

With the assistance of Gene's attorney, they decide to implement a one-way business succession plan. It gives Gene a level of comfort, because he knows he has a buyer for his business and the price and terms are set.

As you review this hypothetical example, please note that it's not intended to represent any specific client or client situation. Keep in mind that different plan designs may have various tax implications. Federal income tax laws are complex and subject to change. Nationwide and its representatives do not give legal or tax advice. Please have your client consult an attorney or tax advisor for answers to specific questions. Guarantees are subject to the claims-paying ability of Nationwide.

We make business succession planning easier

At Nationwide, we're serious about helping business owners. That's why we've dedicated more than 50 people to the task. It's also why we've been able to establish Nationwide as a market leader in business life insurance. So take advantage of our experience in this area and everything else we can offer you.

Specially designed products for businesses

We've designed life insurance products specifically to meet your needs as a business owner:

- Fixed and variable universal life so you have options, whether you invest conservatively or more aggressively
- Policy pricing that gives you the opportunity to accumulate cash value more quickly
- Underwriting flexibility, with both guaranteed-issue or simplified-issue underwriting available (certain qualifications must be met)

Our reassuring financial strength

It's important for us to be here when you need us, so we think you'll be happy to know that independent rating agencies continue to award Nationwide strong ratings and cite our:

- Strong capital position
- Product and distribution breadth
- Excellent risk management capabilities
- Diversified businesses with a market leadership position

A+	A1	A+
"Superior"	"Good"	"Strong"
AM Best	Moody's	Standard & Poor's
Received 10/17/2002 Affirmed 12/17/2020	Received 3/10/2009 Affirmed 5/27/2020	Received 12/22/2008 Affirmed 5/7/2021

These ratings and rankings reflect rating agency assessments of the financial strength and claims-paying ability of Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company. They are not intended to reflect the investment experience or financial strength of any variable account, which is subject to market risk. Because the dates are updated only when there's a change in the rating, the dates above reflect the most recent ratings we have received. They are subject to change at any time.

Let us help you prepare your business for a seamless transition

The planning you do now will help ensure that the successful business you've built will be there in the future for your family and employees.

Key Takeaways

- Asking yourself the right questions will help you identify your business succession goals
- There are three types of plans that can be effective options for most businesses
- Our specialized team and resources at Nationwide make it much easier for you and your financial professional

Work with your financial professional to start developing your business succession plan today.

Nationwide®
is on your side

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

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