

# Principal Life's Disability Buy-Out Fact Sheet - HH703

## The Concept

Disability Buy-Out insurance helps provide the money for the purchase of a disabled business owner's interest under a buy-sell agreement in the event of a long-term disability.

## Benefits

- n Benefits are income tax-free - the disabled owner is taxed only on the gain from the sale of the business (Please consult your tax advisor for details)
- n Provides funding solutions for business owners' buy-sell agreements in the event of an owner's disability

## Policy Basics

- n **Occupation Classes** - 5A, 4A, 3A, 2A, A
- n **Issue Ages** - 18-60
- n **Elimination Periods** - 365, 540, 730 days
- n **Benefits** - Lump sum, monthly installments of 24, 36, or 60 times, or a combination of lump sum and monthly installment
- n **Number of owners** - Two to ten owners for 5A and 4A occupation classes, two to eight for 3A and 2A occupation classes, and two to six for A occupation class
- n **Business Interest** - Owners must have 10 percent ownership interest in the firm
- n **Availability** - All eligible owners must apply

## Key Policy Riders and Features

**Benefit Update (BU) rider** - Available for no additional premium and allows adjustment every three years, up to the maximum issue and participation limit, without evidence of medical insurability.

**Exchange Privilege feature** - Allows the exchange of a current disability buy-out policy for a disability income policy without evidence of medical insurability. This is a real advantage for your client if he/she leaves the business.

**Transfer Privilege feature** - Allows the insured to transfer to another disability buy-out policy if the first policy terminates because he/she ends employment with the company, but then becomes a partner in a new company.

This is a summary of benefits only. Consult your state specific policy for actual terms, limitations and exclusions.

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