

**Whole Life Legacy 100<sup>SM</sup>**

Making It Easy to  
Take Care of Business

| insure | invest | retire |



We'll help you get there.™

Life Insurance

# Whole Life Legacy 100 helps make it easy to take care of business

As a business owner, you know that the long-term success of your organization depends on its ability to remain competitive in the industry. One factor in your business' success or failure is the ownership structure and the control owners have over the company. But what would happen to your business if one of the owners were to die? Would your company have the financial ability to purchase the decedent's share of the business? And what about heirs? Would they receive a fair value for their ownership of the business – or could the surviving owner(s) potentially face legal problems instead? If you're concerned about these issues, it may be time for you to consider a buy-sell agreement that is funded by life insurance.

- **NOT A BANK OR CREDIT UNION DEPOSIT OR OBLIGATION**
- **NOT FDIC OR NCUA-INSURED**
- **NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**
- **NOT GUARANTEED BY ANY BANK OR CREDIT UNION**

The decision to purchase life insurance should be based on long-term financial goals and the need for a death benefit. Life insurance is not an appropriate vehicle for short-term savings or short-term investment strategies. While the policy allows for access to the cash value in the short-term, such as through loans or partial surrenders, these transactions will impact the policy's death benefit if the values are not restored prior to the insured's death. You should know that there may be little to no cash value available for loans in the policy's early years.

The information in this brochure is not written or intended as specific tax or legal advice and may not be relied on for purposes of avoiding any Federal tax penalties. MassMutual, its employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

# What is a Buy-Sell Agreement?

A buy-sell agreement, executed by an attorney, obligates the deceased owner's estate or heirs to sell the ownership interest to an obligated purchaser [remaining business owner(s)] at a pre-determined price. By establishing a buy-sell agreement, the business will have a road map to help the surviving owner(s) deal with critical details of the sale of the decedent's share of the business.

When you fund a buy-sell agreement with life insurance, the death benefit of the insurance policy you or your business has purchased is used to pay the deceased owner's estate or heirs, in order to fulfill the terms of the agreement.

There are different types of buy-sell agreements. Your financial professional can help you choose the arrangement that is most suitable for your needs. The purpose of this case study is to show you one example of how whole life insurance – particularly, Whole Life Legacy 100 from Massachusetts Mutual Life Insurance Company (MassMutual) – can be used to fund a buy-sell agreement.



# A Closer Look:

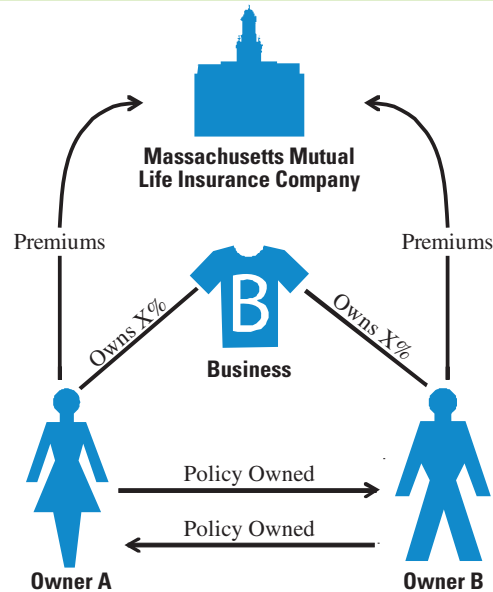
## Two Types of Buy-Sell Agreements

### CROSS PURCHASE BUY-SELL AGREEMENT

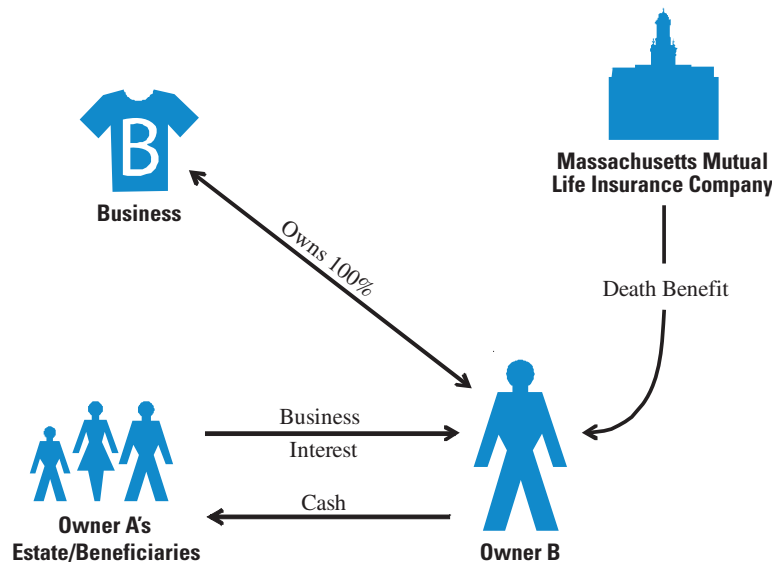
In a **cross purchase buy-sell agreement**, each business owner purchases a life insurance policy covering the life of every other owner. Each business owner pays the premiums and is the owner and beneficiary of the policies that he or she is purchasing to cover the lives of the others.

*This type of agreement works well for a business with only two owners.*

#### Cross Purchase Today



#### Cross Purchase At Death



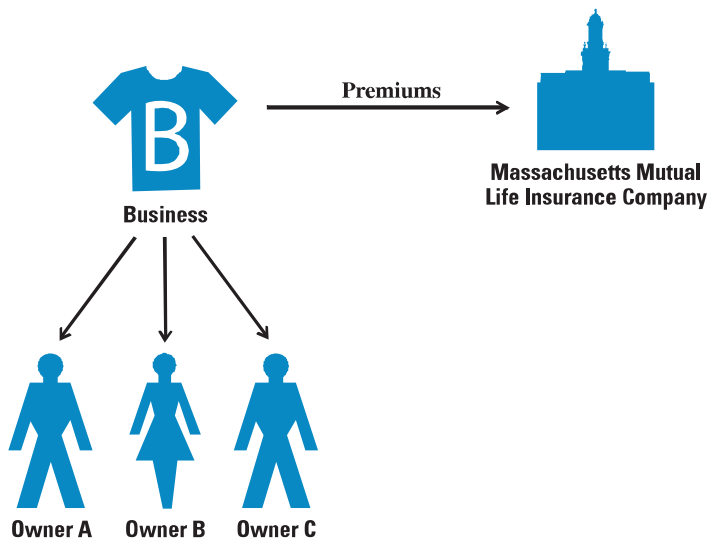
*Under both types of arrangements, the total amount of insurance should approximate the purchase price of the insured's share of the business.*

## ENTITY PURCHASE BUY-SELL AGREEMENT

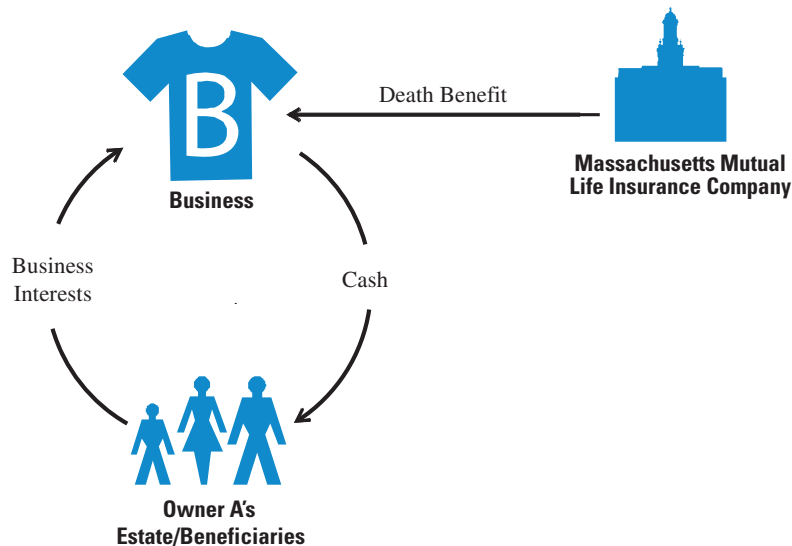
In an **entity purchase buy-sell agreement**, the business entity—rather than the individual owners—will buy the deceased owner's interest. The business entity pays the premiums, is the owner and beneficiary of the policy and holds the insurance policies as a corporate asset.

*This type of plan may be ideal when there are numerous owners.*

### Entity Purchase Today



### Entity Purchase At Death



# How Can Whole Life Help Your Financial Strategy?

A well-designed financial strategy is critical, because it can help business owners to ensure:

- their loved ones' financial future will not be left to chance
- their business will not be jeopardized by the death of one of the owners

Whole life insurance is the foundation upon which many comprehensive financial strategies are built. That's because, at its core, whole life insurance can help you fulfill your promises to the people you care about and your business partner(s) – by delivering a financial resource when it's needed most. In fact, it's *guaranteed* protection.

## Other ways your business will benefit

- Along with protecting your business against financial loss due to death, whole life insurance can help you recruit and retain top talent
- Whole life insurance fits the need for employee benefits because it's available for use in qualified pension plans as well as a non-qualified benefits package
- Whole life policy cash values accumulate on a tax-favored basis
  - No taxes each year on any gain, and cash values can provide supplemental retirement income generally income tax-free.<sup>1</sup>

Whole life insurance can be a multi-purpose tool fitting your business' needs for financial protection and employee incentives.

## Why Whole Life Legacy 100?

Whole Life Legacy 100 is permanent life insurance with level premiums payable to age 100. As its name implies, it provides opportunities and security for your whole life. Whole Life Legacy 100 offers guarantees<sup>2</sup> that you can't find together in other forms of life insurance, such as:

- Your beneficiary receives a **guaranteed** death benefit
- You have **guaranteed** cash values that grow each year
- The premium for your Whole Life Legacy 100 policy is **guaranteed** to stay the same for the life of the contract, regardless of age or health.

*At MassMutual, we believe whole life insurance should be flexible enough to meet your changing needs. That's why we offer a wide variety of riders you can add to your Whole Life Legacy 100 policy to tailor the coverage to your life.*

## How Riders Work

A rider is an attachment to a policy providing added benefits, coverage or the ability to purchase an additional benefit. These riders enable you to tailor your policy to fit your needs. Most riders are available at or after policy issue, and can be added alone or in combination.

## Here are some of the riders<sup>3</sup> available with Whole Life Legacy 100:

- **Additional Life Insurance Rider (ALIR):** allows for premium payments (minus a 7.5% service fee) that boost policy values and may shorten the out-of-pocket payment period under the Alternate Payment Option.<sup>4</sup>
- **Life Insurance Supplement Rider (LISR):** offers a level death benefit and relatively low premium per thousand of coverage (subject to an 8% service fee) through a mix of term and permanent insurance components.
- **Renewable Term Rider (RTR):** offers a level death benefit and very low premium per thousand of coverage, increasing annually.
- **Guaranteed Insurability Rider (GIR):** guarantees policy owners the right to purchase a specified amount of insurance without evidence of insurability on specified option dates. There may be a cost to exercise this rider.
- **Transfer of Insured Rider (TIR):** allows the policy owner to transfer or exchange the original policy for a new policy on the life of another person, provided an insurable interest exists between the owner and the new insured. There may be a cost to exercise this rider.
- **Exchange to Term Endorsement:** not a rider, but when certain conditions are met, provides the option during the first five policy years, to exchange a Whole Life Legacy 100 policy to an annually renewable, convertible term policy on the life of the insured. An exchange credit will be paid when the policy is exchanged for a term life insurance policy.

## How Dividends Benefit Business Owners

Whole Life Legacy 100 is a participating insurance policy. This means that eligible policy owners are entitled to share in any annual distributions of the insurance company's surplus. Your share is known as your dividend. While dividends are often paid annually, they are not guaranteed. Policy owners can use their dividends to purchase additional whole life insurance (referred to as paid up additions), or they may take dividends in cash, use them to reduce premiums, or repay a policy loan.

Business owners who choose to use any dividends they receive to purchase paid-up additions, can benefit from their policy's increased death benefit – which can be beneficial, should the value of the business increase over time.



## Meet José, Paul, and Sarah

Owners, Beachwhere  
Unlimited

José, Paul, and Sarah met in college, and soon after graduation, established Beachwhere Unlimited, a company that manufactures customized beach wear and accessories. Over the past 10 years, the value of their company has grown substantially and it's now worth \$6 million. Since founding the company, the owners all married and started their own families. Each is concerned there could be a major problem if one of them dies unexpectedly. They want to ensure protection for their families, and the continuation of the business.

### A Strategy

After consulting their financial professional and legal advisors, José, Paul and Sarah decide to enter into an entity purchase buy-sell agreement. Beachwhere Unlimited, using corporate assets, will purchase a \$2 million Whole Life Legacy 100 policy on each of the three owners. Then, if one of them dies, the business can pay the decedent's family for that individual's share of the business. (Since the business is worth \$6 million, the death of one owner would require a \$2 million payment to the deceased owner's heirs.)

With this type of buy-sell agreement, the business entity pays the premiums as the owner and beneficiary of the policy – holding the insurance policies as a corporate asset.





# How José, Paul, and Sarah Will Achieve Their Goals

In the event that either José, Paul, or Sarah should die, their business and families are protected.

- The decedent's family would receive a \$2 million death benefit and Beachwhere Unlimited would be able to continue operations with the two surviving owners at the helm.
- By using this important life insurance coverage, if one owner dies, the surviving owners are protected from having to sell the business in order to pay the deceased owner's family.

Whole Life Legacy 100 is especially attractive to fund Beachwhere Unlimited's buy-sell plan because of its features and benefits.

- Guaranteed premiums make it easier for them to plan for future business expenses
- Guaranteed cash value is a corporate asset that grows each year on a pre-determined schedule

Because they anticipate the value of the business will continue to rise, they like the idea that they can apply to increase each policy's coverage amount. Also, while they understand dividends are not guaranteed, they are pleased with the extra value or liquidity that dividends may provide.

*Whole Life Legacy 100 gives the owners of Beachwhere Unlimited the life insurance protection they need now, along with the flexibility to meet their needs into the future.*





# MassMutual.

For over 155 years, MassMutual and its affiliated financial professionals have helped guide our policyholders toward greater security and financial freedom. Our commitment is to help you focus on what you value most, clarify what you want to achieve in life, and understand how life's uncertainties could impact your plans and aspirations. We then help you implement flexible financial strategies for today and tomorrow.

After all, it's not about where life takes you...it's about where you take life. Built on a foundation of integrity, strength, and reliability, MassMutual can help you get there.

For more information on Whole Life Legacy 100, or any choices in MassMutual's portfolio of life insurance products, contact your MassMutual representative.

## The MassMutual Advantage

One measure of a company's value to its customers is its financial strength. MassMutual's exceptional financial strength is underscored by ratings that are among the best in any industry:

**A.M. Best Company . . . . . A++ (Superior)**  
**Moody's Investors Service Inc. . . . . Aa1 (Excellent)**  
**Standard & Poor's Corp. . . . . AAA (Extremely Strong)**  
**Fitch Ratings . . . . . AAA (Exceptionally Strong)**

Ratings are as of December 1, 2007 and are subject to change. Ratings are for Massachusetts Mutual Life Insurance Company, C.M. Life Insurance Company and MML Bay State Life Insurance Company.

# We'll help you get there.<sup>SM</sup>

<sup>1</sup> Distributions under your policy (including cash dividends, withdrawals and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (your cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10% tax penalty. Access to cash values through borrowing, withdrawals or partial surrenders can reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

<sup>2</sup> Guarantees are based on the claims-paying ability of the issuing company.

<sup>3</sup> Riders are available at an additional cost.

<sup>4</sup> Under the Alternate Payment Option, dividends are used to buy paid up additions for a number of years determined by the owner ("N" years). Thereafter, policy premiums are paid by dividends and the surrender of these paid up additions, as needed. Dividends are not guaranteed and a dividend scale change may increase or decrease the number of cash premium payments required to keep the policy in force.

Products are available only in approved states. State variations may apply.

Whole Life Legacy 100 (Policy Form WL-2007 and WL-NC-2007 in North Carolina) is a level-premium, participating, permanent life insurance policy issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111.



Massachusetts Mutual Life Insurance Company  
and affiliates, Springfield, MA 01111-0001

[www.massmutual.com](http://www.massmutual.com)

Massachusetts Mutual Life Insurance Company and its affiliated insurance companies have received certification from IMSA, an industry organization dedicated to promoting ethical conduct in all customer contacts involving sales and service of individual life insurance and annuity and long term care products.

Securities offered through registered representatives of MML Investors Services, Inc., 1295 State Street, Springfield, MA 01111.

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