Did *Connelly v. United States* impact your buy-sell arrangement?

On June 6, 2024, the U.S. Supreme Court decided a case that will affect all business owners that have life insurance-funded buy-sell agreements. Specifically, those agreements commonly referred to as "entity purchases" or "stock redemptions."

In *Connelly v. United States*, the court addressed the question of whether a corporation's fair market value, where the corporation has an obligation to redeem a deceased owner's shares, is impacted by life insurance proceeds received by the corporation and committed to funding the redemption for estate tax purposes. The Court unanimously held that the corporation's redemption obligation is **not** a liability that reduces the estate tax value of the decedent's shares and that the death benefits received by the corporation must be included as part of the estate tax valuation.[1]

What this means is that the buy-sell agreement for your business may no longer satisfy your objectives. Please contact me as soon as possible to set up a time to review the buy-sell agreement you have in place.

Best regards,

[agent name]
[Firm name]
[phone number]
[email]

1. Connelly v. United States, 602 U.S. ___ (2024).

Disclosures:

[firm disclosures]

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

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