

BUSINESS PLANNING

Installment Sale for Business Succession

CONCEPT APPLIED:

An installment sale lets a business owner sell a business interest while deferring capital gains taxes. Life insurance can protect against the buyer's premature death.

HOW IT WORKS:

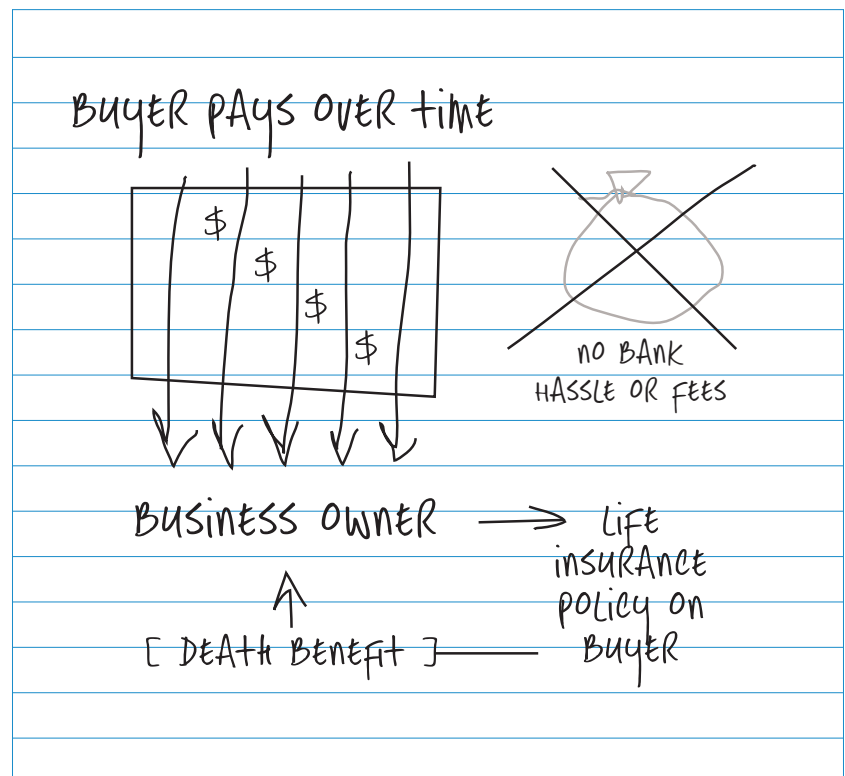
The buyer and seller negotiate the terms of the sale, including the length of time payments will be made, the frequency of payments, and the yearly interest rate. The IRS requires the use of the applicable federal rate (AFR) as a minimum interest rate. Interest paid is deductible to the buyer and is taxed as ordinary income to the seller.

WHY IS IT USEFUL?

An installment sale allows the seller to spread out payment of taxes. Rather than paying the full amount when the sale is made, the tax is paid only as each payment is received.

50 WORDS OR LESS

With an installment sale, the owner agrees to accept a series of payments over time. This is an important financing tool for buyers without enough cash for an outright purchase. Instead of paying tax on the full purchase price, the seller only pays taxes on smaller annual installment payments.



Copyright 2026, PGI Partners, Inc., 921 East 86th Street, Suite 100, Indianapolis, Indiana 46240. All rights reserved.

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including Midland National® Life Insurance Company. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, Midland National Life Insurance Company.

PGI Partners, Inc. is an independent third-party company and is not affiliated with Midland National® Life Insurance Company.

The term financial professional is not intended to imply engagement in an advisory business in which compensation is not related to sales. Financial professionals that are insurance licensed will be paid a commission on the sale of an insurance product.

While the primary use of life insurance is death benefit protection, you may also have other needs that can be met through life insurance. Please note that Midland National does not require its agents to use any of these sales concepts.

Neither Midland National nor its agents give tax or legal advice. Consumers are advised to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements. Estate and business planning is a complex legal process and should be done in collaboration with an attorney, accountant, and trust officers, etc. Trusts should be drafted only by an attorney familiar with such matters.