



## Herbalife Associateship “Planning Ahead”

As an Herbalife Independent Associate, it is never too soon to plan ahead for the day you are unable to operate your Associateship. This “planning ahead” process is called “estate planning.”

This document is intended to provide information for you to consider as you begin the estate planning process. \* Each person’s individual circumstances are different, and this information is not intended as a substitute for advice from estate planning lawyers, financial/tax advisors and others who can provide professional advice regarding your individual situation. We strongly recommend that you work with professional advisors who can help you set up an estate plan that meets your personal goals.

\*Legal requirements, Herbalife rules and policies may vary depending on where you live, and therefore some information in this document may not be applicable for you. Please contact Associate Services team if you have any questions about our rules and policies. Your Associateship may be subject to various inheritance laws depending on a number of factors such as country of registration, operation, and/or residency. For questions related to your individual estate planning, please consult with professional advisors.

### WHY SHOULD I PLAN AHEAD?

Just like any other business owner, you should plan and prepare in advance so that you have a way to keep your business going if an unexpected life event happens and you are unable to operate your business. Proper estate planning can control how and when your Associateship is transferred to your heir and provide those you love with the stability to carry on after you are gone. How a person’s business is structured has a tremendous impact on how it is treated, taxed, and administered after that person’s death. We hope you find the following information useful as you begin your estate planning.

### WHAT IMPORTANT ISSUES SHOULD I CONSIDER?

#### INHERITANCE:

These are some of the important questions you will need to consider when preparing your estate plan.

- Who do I want to inherit and operate my Associateship?
  - This might be your spouse, Life Partner, child or another individual.
  - The Associateship cannot be left to a trust or charity.
  - The heir must be named in your legal estate planning documents (e.g., a will, revocable living trust); **this also includes your spouse**. Please note that Herbalife Associateships are held by one individual and do NOT automatically transfer to the spouse upon passing.



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- How can I avoid delays in passing my Associateship to my heirs?
  - Legal requirements vary by Jurisdiction.
  - Certain estate planning structures, if available in your jurisdiction, may help your heirs avoid delays. In many jurisdictions, processes such as probate include proving in court that a deceased person’s will, if any, is valid, identifying assets in the estate, having property appraised, paying debts, etc. Typically, probate involves paperwork and court appearances by lawyers, and it will take months or years. The lawyers and court fees are paid out of estate property which would otherwise go to the people who inherit the deceased person’s property. You should discuss your options with your professional advisors in order to avoid delays.
- Should I transfer my Associateship to a corporation? Here are some factors to consider:
  - Associateships at TAB team level may be transferred to a corporation which then becomes the Associate of Record.
  - A Designated Individual must be assigned who will act on behalf of the corporation for all Herbalife matters. This would typically be you until there is a requested change.
  - Herbalife permits the transfer of corporate shares to certain estate structures such as revocable living trust set up for your Herbalife business (the Corporation remains the Associate of Record). With this structure, probate may be avoided in some jurisdictions. However, there may be tax and other consequences of a transfer which you should discuss with your professional advisors in advance.
  - Corporate Associateship Agreement packages are available for most markets. Please contact our Associate Services team.

### INCAPACITY:

- What options do I have to prepare for an unexpected life event?
  1. **The Herbalife Business Continuation Program (“BCP”)** \* provides options that are available to eligible Associates during their lifetime. To be eligible you must be at least 30 years as a Herbalife Associate, or 62 years of age and 15 years as a Herbalife Associate. The three options are:

\*Please contact Associate Services team for the availability of the BCP Program.



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- a) **Appointment of a Business Support Person**
    - This option permits an Associate to designate an individual to assist in the operation of the Associateship, to be mentored and given guidance during an Associates lifetime, so that they are prepared when the time comes for them to fully operate the business. Please refer to the Business Support Person form for complete details on the program.
  - b) **Lifetime Transfer**
    - This option permits an Associate to request a lifetime transfer of the Associateship to another person as part of early inheritance planning subject to Herbalife’s approval.
  - c) **Earnings Accommodation Program (EAP)**
    - This option permits the reduction or waiver of the monthly Total Volume\* required for Volume Rebate Override. Additional eligibility requirements apply. Please refer to country specific form.
2. A power of attorney (POA) is a document that allows you to appoint a person to manage your affairs if you are unable to do so. There are different types of POAs. You should consult with your professional advisors to discuss if a POA might be appropriate for your circumstances.

Please contact Associate Services team should you have any further questions.



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### WHAT HAPPENS TO MY ASSOCIATESHIP WHEN I PASS?

When you pass away, your loved ones should notify the Associate Services team so that the appropriate steps may be taken for your Associateship. The steps are different for individual and corporate Associateships:

- For an Individual Associateship (Non-Corporate Associateship):
  - The Associateship cannot remain in the deceased Associate’s name and will need to be transferred to the legal heir. To assist the family and facilitate the process, Herbalife will send information describing the documentation needed for the transfer.
  - While the family gathers the necessary documentation:
    - Herbalife will not be able to release earnings to your heir until an estate administrator is appointed by the probate court or the Associateship is transferred to the legal heir, including your spouse (if applicable). This can be a lengthy process depending on the country/jurisdiction, which makes it critical to carefully plan ahead to minimize the delay for your loved ones. That is another reason why you may want to consider transferring your individual Associateship to a corporation and transferring the corporate shares to a trust.
    - Herbalife recognizes that upon your passing, there may be a period where no one is able to maintain the Associateship or produce the volume requirements for the Associateship to continue to qualify to earn. Upon notification of your passing, Herbalife will automatically place the Associateship on a volume waive for the first 12 months, so that earnings (Volume Rebate Overrides and Production Bonus, as appropriate) continue to be generated (and held) for the Associateship without the ordinary Personal Volume requirements. This provides a period for the estate to be finalized and a Transfer of the Associateship effected so that the new heir can begin operating the Associateship. After the 12 month waive period, the Associateship will revert to normal earning qualification requirements, and will not generate earnings without the personal volume requirements being met. In some instances, an administrator or executor may be able to temporarily maintain the Associateship, but thoughtful planning ahead is the best way to ensure a smooth transition.
- For a Corporate Associateship:



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- The Associateship may remain in the corporation, so no transfer documents are required. Payments will continue to be paid to the corporation. However, please note if a shareholder or designated individual passes away, the corporation must update the information subject to Herbalife’s approval.

### ARE THERE HERBALIFE RULES AND POLICIES THAT I SHOULD CONSIDER WHEN PREPARING MY ESTATE PLAN?

The portion of the estate plan related to your Associateship will need to conform with Herbalife rules and policies. Please keep in mind that the rules and policies are updated from time to time and Herbalife applies the rules and policies in effect at the time of passing.

### WHAT ARE THE IMPORTANT FACTORS I SHOULD CONSIDER FOR MY ESTATE PLAN FOR DIVORCE ASSOCIATESHIPS?

There are certain additional considerations for planning ahead in relation to a separation/divorce or dissolution of Life Partnership. There is a separate document called (Separation/ Divorce or Dissolution of Life Partnership Options Information) that provides the details of Associateship structure options relating to divorce or dissolution of Life Partnership. This section describes the planning ahead considerations as it relates specifically to those structure options. You should refer to that document for additional context of the planning ahead considerations described below, in addition to the structure you may have already established. Please contact Associate Services team to obtain document.

In summary, there are 4 options in relation to a separation/divorce or dissolution of Life Partnership

#### **Option 1:**

#### **Continue Working the Original Associateship; No Separate Associateships Requested**

Associate and ex-spouse/ex-Life Partner both agree to continue working the Original Associateship and do not wish to have separate Associateships.

**As it relates to inheritance, there is only one Associateship to pass on with this option, therefore, ex-spouses/ex-Life Partners must agree on who inherits the Associateship.**



## Herbalife Associateship “Planning Ahead”

There are three possible scenarios for you to consider.

1. What are the transfer options during your lifetime?

- A transfer to a non-Associate If you meet the age and tenure requirements within the Business Continuation Program [BCP Package](#) you may transfer to an existing Associate.

2. What happens if you don't transfer during your lifetime?

- It is highly recommended to prepare your estate planning document in accordance with applicable inheritance law indicating the legal heir. If not, Herbalife will need to receive a court order on the disposition of the Associateship.
- If there are multiple heirs, only one can be the Associate of Record; however, note that ex-spouse and representative of the estate must agree on who will be the Associate of Record, otherwise Herbalife will require a court order directing the designation of the Associate of Record.
- A Corporation structure, as described previously, may be used so that multiple heirs can inherit the Associateship's interest, however one heir must become the Designated Individual of the Corporation to operate the Associateship.

3. What if the Associateship is a Corporation?

- Herbalife will continue to work with the Corporation. The Designated Individual and shareholder information are updated in Herbalife's record pursuant to trust/probate documents. The corporation must submit a written request for Herbalife's approval.

\*All transfers are subject to sole and absolute discretion of Herbalife.

### **Option 2:**

#### **Establish Separate Associateships to Continue the Business Individually**

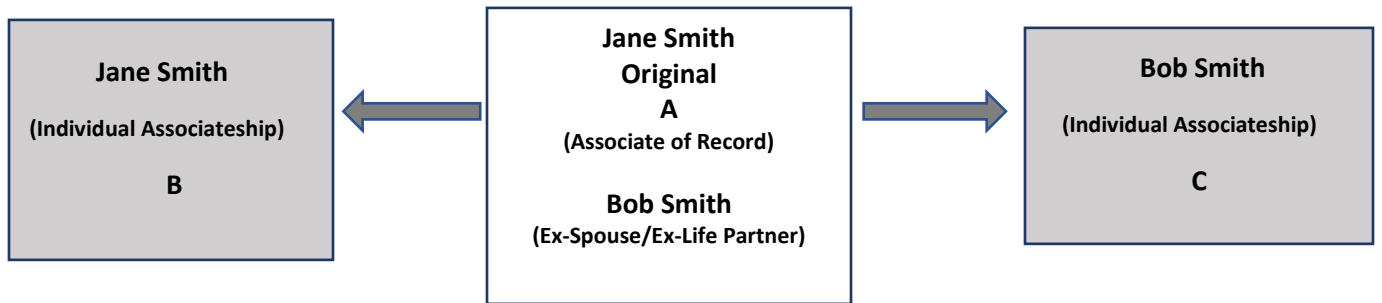
Associate and ex-spouse/ex- Life Partner may separately continue the Herbalife business during separation or divorce/dissolution of a Life Partnership, by establishing new separate individual Associateships from the Original Associateship, under the original Sponsor. These new Associateships are linked to the original one.

**As it relates to inheritance, there are 2 Associateships that may be transferred in this option, therefore, ex-spouses/ex-Life Partners may plan for their respective heirs to inherit their separate Individual Associateships.**

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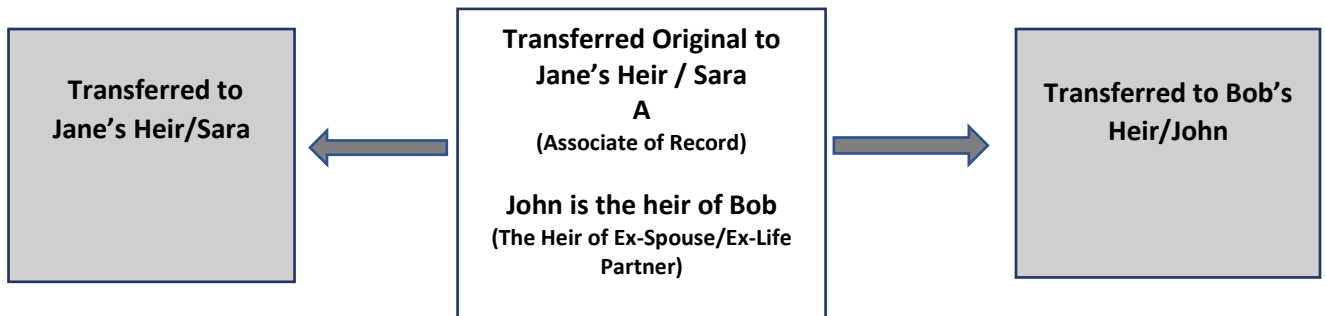
Example:

Before



Associateships are associated due to separation/divorce.

After – Both Jane and Bob have passed, and their heirs now operate the Associateships:



Transfer will require consent of the other party as the association will remain intact.

These are three possible scenarios for each of you to consider.

1. What are my transfer options during lifetime?

- Ex-spouses/Ex- Life Partners may transfer their Individual Associateships to a non-Associate. Transfer will require consent of the other party as the association will remain intact.



## Herbalife Associateship “Planning Ahead”

- If you meet the age and tenure requirements within the Business Continuation Program [BCP Package](#) you may transfer to an existing Associate.

### 2. What happens if you don't transfer during your lifetime?

- It is highly recommended to prepare your estate planning document in accordance with the applicable inheritance law indicating the legal heir. If not, Herbalife will need to receive a court order on the disposition of the Associateship.
- Herbalife will follow trust /probate documents. Heir will inherit deceased's Associateship's interest.
- If there are multiple heirs, only one can be the Associate of Record.
- A Corporation structure, as described previously, may be used so that multiple heirs can inherit the Associateship's interest, however, one heir must become the Designated Individual of the Corporation to operate the Associateship.

### 3. What if the Associateship is a Corporation?

- Herbalife will continue to work with the Corporation. The Designated Individual and shareholder information are updated in Herbalife's record pursuant to trust/probate documents. The corporation must submit a written request for Herbalife's approval.

\*All transfers are subject to sole and absolute discretion of Herbalife.

### **Option 3:**

#### **Establish Separate Payment IDs to Manage the Division of Earnings and Continue Working the Original ID Together.**

Associate and ex-spouse/ex-Life Partner both agree to continue working the Original Associateship, while both or one of the parties wish to establish a separate payment ID, which will be associated to the Original Associateship for the purpose of managing the division of earnings. All business may only be conducted in the Original Associateship and not the separate payment ID's.



## Herbalife Associateship “Planning Ahead”

As it relates to inheritance, only the Original Associateship is transferrable to pass on with this option, therefore, ex-spouse and representative of the estate must agree on who inherits the Associateship, otherwise Herbalife will require a court order to direct the disposition of the Original Associateship.

**These are three possible scenarios for you to consider.**

1. What are the transfer options during your lifetime?

- Transfer of the Associateship would require approval from both parties or court order.

A transfer to a non-Associate. If you meet the age and tenure requirements within the Business Continuation Program [BCP Package](#) you may transfer to an existing Associate.

2. What happens if you don't transfer during your lifetime?

- It is highly recommended to prepare your estate planning document in accordance with applicable inheritance law indicating the legal heir. If not, Herbalife will need to receive a court order on the disposition of the Associateship.
- If there are multiple heirs only one can be the Associate of Record. A Corporation structure, as described previously, may be used so that multiple heirs can inherit the Associateship's interest, however, one heir must become the Designated Individual of the Corporation to operate the Associateship.

3. What if the Associateship is a Corporation?

- Herbalife will continue to work with the Corporation. The Designated Individual and shareholder information are updated pursuant to trust/probate documents. Corporation must submit a written request for Herbalife's approval.
- Only the Original Associateship may be transferred to a Corporation.

\*All transfers are subject to sole and absolute discretion of Herbalife.

### **Option 4:**

#### **Transfer/Relinquishment of Entire Interest**

*In this option one party is relinquishing all rights of ownership to the other.*



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As it relates to inheritance, there is only one Associateship to pass on with this option.

### ACTION ITEMS:

Now that you have read this information and are ready to begin your estate planning, we recommend that you contact your professional legal, tax or financial advisor to help you understand your individual circumstances and work with you to:

#### INHERITANCE

- Identify your heir(s)
- Identify the legal documents best suited for your situation.
- Determine the appropriate structure for your Associateship (individual vs. corporation)
- Do you need to consider the Separate/Divorce or Dissolution of Life Partnership Option Information guide?

#### INCAPACITY

- Identify who you wish to operate your Associateship if you become unable to do so.
- Consider the BCP options if you are eligible.
- Consider if you should prepare a power of attorney to designate a person to manage your affairs, should your circumstances change in the future.
- Review your insurance policies and determine if your coverage is appropriate.

Estate planning is very personal, and your needs and wishes may change during your lifetime. For these and other reasons, Herbalife does not provide personal, legal, or tax advice on these matters. We also do not accept any estate planning documents in advance, nor do we provide pre-approval. We are, however, very happy to provide information as it relates to our policies and rules in order to support you during this process.

We hope this information was helpful and got you started to carefully consider and plan ahead for your future as well as for your loved ones.

Please contact Associate Services team if you have any questions.