

Herbalife Nutrition Distributorship “Planning Ahead”

As an Herbalife Nutrition (HN) Independent Distributor, it is never too soon to plan ahead for the day you are unable to operate your Distributorship. 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 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.

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 Distributorship 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 decide when preparing your estate plan.

- Who do I want to inherit and operate my Distributorship?
 - This might be your spouse, Life Partner, child or another individual.
 - No matter who your heir will be, he or she must be named in your legal estate planning documents (e.g. a will, revocable living trust). This includes your spouse. Please note that HN Distributorships are held by one individual and do NOT automatically transfer to the spouse upon passing.

*Legal requirements, HN 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 your local Member Services team if you have any questions about our rules and policies. For questions related to your individual estate planning, please consult with professional advisors.

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- What legal documents are best suited for my individual situation?
 - Local legal requirements will determine what documents are legally acceptable.
 - Certain estate planning documents may help your heirs avoid probate which is the legal process that takes place after someone dies. In most jurisdictions, probate includes proving in court that a deceased person’s will is valid, identifying assets in the estate, having property appraised, paying debts, etc. Typically, probate involves paperwork and court appearances by lawyers. 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. If you would like your heirs to avoid probate, you should discuss this with your advisors since in many jurisdictions/countries, probate may be avoided if your assets are held in a trust.
- Should I transfer my Distributorship to a corporation?
 - Distributorships at TAB team level may be transferred to a corporation which becomes the Distributor of Record.
 - A Designated Individual must be assigned who will act on behalf of the corporation for all HN matters.
 - HN permits the transfer of corporate shares to a trust (the Corporation remains the Distributor of Record). With this structure, probate may be avoided in many jurisdictions. However, there are tax and other consequences of a transfer which you should discuss with your advisors in advance.
 - Corporate Distributorship Agreement packages are available for most markets. Please contact your local Member Services team.

INCAPACITY:

- What will happen if I become unable to operate my Distributorship due to an unexpected life event?
 - The HN Business Continuation Program (“BCP”)* provides options that are available to eligible Distributors during their lifetime. To be eligible you must be at least 30 years as an HN Distributor, or 62 years of age and 15 years as a HN Distributor. The three options are:

*Please contact your local Member Services team for the availability of the BCP Program in your region.

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1. Appointment of a Business Support Person

- This option permits a Distributor to designate an individual to assist in the operation of the Distributorship.

2. Lifetime Transfer

- This option permits a Distributor to request a lifetime transfer of the Distributorship as part of early inheritance planning.
- The Distributor may transfer the Distributorship to anyone who can legally inherit the Distributorship.
- If the transferee is an existing Distributor, they may own and operate a maximum of three Distributorships, the Distributor’s own, plus up to two others acquired by inheritance. The period of inactivity (as specified in Rule 2.1.10) for an inherited Distributorship shall be waived if the lineage relationship between the heir’s existing Distributorship (s) are vertical (in the same line).

3. Earnings Accommodation Program (EAP)

- This option permits the reduction or waiver of the monthly Total Volume* required for Royalty Override. Additional eligibility requirements apply:
 - TAB Team level
 - A minimum of 1000 monthly Royalty Points for the Upline Guarantee Deduction. An Upline Guarantee for Royalty Override and/or Production Bonus and 10% EAP deduction (following the same principle as Upline Guarantee) will be based on the waived volume and applied to the monthly earnings.
 - Must have earned 5% Royalty Override in 10 of the last 12 months to reduce or waive monthly Total Volume required for Royalty Override
 - Must have earned Production Bonus in 10 of the last 12 months to reduce or waive Total Volume required for Production Bonus (available in the US and US Territories only)

* In the US and US Territories, all volume must be documented.

If interested in obtaining a BCP package, please contact your local Member Services team.

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- 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, and you should consult with your advisors to discuss if a POA might be appropriate for your circumstances.
- Insurance policies often provide financial assistance in times of need. Review your current insurance policies to determine if you have appropriate coverage to meet your needs (e.g. long or short term disability, long-term care, life insurance).

Should an unexpected life event occur, please contact your local Member Services team so that we may assist you through the difficult time.

WHAT HAPPENS TO MY DISTRIBUTORSHIP WHEN I PASS?

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

- For a non-corporate Distributorship (individual Distributorship):
 - The Distributorship cannot remain in the deceased Distributor’s name and will need to be transferred to the legal heir. To assist the family and facilitate the process, HN will send information describing the documentation needed to effectuate the transfer.
 - While the family gathers the necessary documentation, HN will continue to calculate the Distributorship’s payments for the first 12 months (Royalty Overrides and Production Bonus, as appropriate), and these payments must be held until HN receives documentation that will permit HN to legally release the earnings. The timing of release is often dependent upon the kind of legal documentation used for estate planning. For example, if you used a will or died without any legal planning, HN will not be able to release earnings to your heir until an estate administrator is appointed by the probate court or the Distributorship is transferred to the legal heir, including your spouse. This process may take a period of 6 months or longer depending on the jurisdiction which makes it critical to carefully plan ahead to minimize the delay for your loved ones. Alternatively, the use of a trust in many jurisdictions can expedite the payment of earnings to your heir. That is another reason why you may want to consider transferring your individual Distributorship to a corporation and transferring the corporate shares to a trust.
- For a corporate Distributorship:

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- The Distributorship may remain in the corporation, so no transfer documents are required. Payments will continue to be paid to the corporation. However, the corporation will need to update the Designated Individual and obtain HN’s approval of any transfer of shares.

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

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

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
- Identify the legal documents best suited for your situation
- Determine the appropriate structure for your Distributorship (individual vs. corporation)

INCAPACITY

- Identify who you wish to operate your Distributorship 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
- 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, HN 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.



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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 your local Member Services team if you have any questions.