



Key Person Insurance

The unexpected death of an owner, partner or key employee can have a devastating effect on a company. Replacing essential personnel of a company could cost significant time and money, which could threaten the continuity of your business. That's why it pays to plan for the unexpected. You need a financial blueprint that will instill a sense of confidence for you and your employees.

You most likely insure your physical assets as a matter of course.

But it is also critical that you also insure your most valuable asset - your key employees.

Who are your key employees?

Key employees are people who can't be easily replaced and whose absence will reduce the financial performance of your company by increasing costs or losing profits. Key employees have special skills that have a direct impact on your profits year after year. Key employees can be:

- » Business owners
- » Top sales people
- » Key executives or proven managers
- » Hard-to-replace specialists (such as engineers, R&D scientists, etc.)
- » Skilled financial people

Think about your business. Do any of your employees have these characteristics?

- » Special contacts or connections
- » Unique sales ability
- » Financial expertise
- » Account management skills
- » Product design/innovation
- » Leadership skills
- » Computer/technical skills
- » Ability to get things done

When a Key Employee Dies

Tragically, either through accident or illness, a key employee can die unexpectedly. Someone will have to step into the key employee's shoes and do the job he or she was doing. If a qualified replacement isn't ready to step in, financial disaster can result:

- » Costs can increase
- » Customers can take their business elsewhere
- » Other employees may get frustrated and leave
- » You may have to take over the key employee's duties
- » Expansion plans may have to be put on hold
- » Profits may fall

Advantages of Key Person Insurance:

- » Income tax-free death benefits may help replace profits lost due to key employee's death
- » Income tax-free death benefits can create a cash cushion to keep lenders from foreclosing on business loans, reducing lines of credit or increasing interest costs
- » Income tax-free death benefits can be used to recruit, hire and train a replacement key employee
- » Income tax-free death benefits may potentially assure customers, creditors, and employees that the business will continue to be financially stable and in a position to keep its promises

Business owners who are key employees

Most business owners who works as employees are key assets of their businesses. They set the overall strategy and are responsible for making sure all the details get taken care of. To see if you are a key person, ask yourself these questions:

- » If I die unexpectedly, is there someone else who can do what I was doing?
- » Is there someone who can take over my leadership and decision making role?
- » Will the fair market value of the business remain unchanged after my death?
- » Will it make sense for my family to continue owning my share of the business?

If you answered “no” to any of these questions, your business is likely to suffer if you die unexpectedly. Income tax-free life insurance death benefits can provide a financial cushion to help it survive the transition while it tries to replace you. If the decision is made to close the business, life insurance death benefits can help recoup some of its lost value for your family