

Key Person Business Protection

HELP BUSINESS OWNERS PROTECT AGAINST THE LOSS OF THEIR MOST VALUABLE ASSET

One thing that keeps your business owner clients up at night is the thought of losing a key person – often their most valuable asset is their employees. Small to medium-sized businesses especially depend on a small number of key people to be successful. The loss of any one of them, due to disability or death, could have a devastating impact on the business.

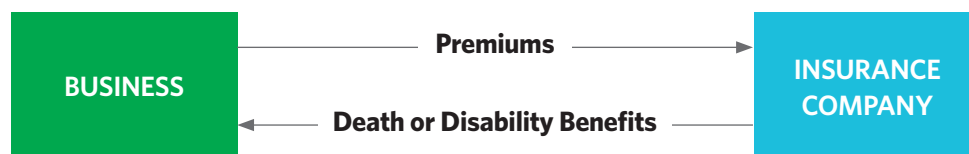
POSSIBLE IMPACTS

1. Loss of time and costs associated with finding a suitable replacement
2. Loss of customers who were closely connected to the key person
3. Reduction in profits due to management or sales process interruption

KEY EMPLOYEE EXAMPLES

1. Tough-to-replace experts – technology specialists, engineers, scientists, etc.
2. Influential and extremely effective salespeople
3. Top management

HOW IT WORKS



- The business purchases life and/or disability insurance on the key employee(s)
 - The business pays all premiums and is the owner and beneficiary for the policies
 - Upon the key person's death or disability, the benefit is paid directly to the business
- (NOTE: Disability policies will have a waiting period prior to benefit payment)

CLIENT CONVERSATION

As a trusted advisor to your business owner clients, you can help protect them against the negative consequences associated with the loss of a key employee. Ask them: *Would your business experience a financial loss or be vulnerable if you lost a key employee to death or disability?*

ADVANCED MARKETS



Facts:

- Over a 45-year career, an employee has a 1 in 4 chance of becoming disabled and unable to work for at least one year¹
- Over a 45-year career, an employee has greater than a 1 in 10 chance of dying prior to retirement²

¹ Social Security Administration, Disability and Death Probability Tables for Insured Workers Born in 1997, Table A: <https://www.ssa.gov/oact/NOTES/ran6/an2017-6.pdf>

² Based on 2008 VBT mortality tables

CASE STUDY:

Derrin Williams owns Williams Engineering – a business that relies heavily on excellent outside sales activity. Ten years ago, he hired Zach Peterson as vice president of sales. Over the years, sales have consistently grown under Zach's management. Derrin has made sure to financially reward Zach for his success, but is troubled with what might happen to the business if Zach were to die or become disabled. Zach has developed strong relationships with all the top customers and his loss would be devastating to the business. Derrin estimates Zach's loss would require at least \$750,000 – to not only replace lost revenues, but also fund the search for an adequate replacement.

Williams Engineering purchases a \$750,000 life insurance policy and a \$750,000 key person disability policy on Zach. With the new policies in place, the business is now protected against the negative financial consequences that would be associated with Zach's death or disability.

GET STARTED

Ask your business owner clients if their business would experience a financial loss if a key employee died or became disabled. Also, revisit any previous key person life insurance sales and offer disability coverage since illness and injury are more likely to occur.

Case Facts:

- Business relies heavily on outside sales activity
- VP has developed strong relationships with top clients
- Loss of VP would be devastating to business