

**BUSINESS PROFILE**

# Help protect your client's business

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## Key employee life insurance

**Your sales opportunity**

Business owner(s) wishing to protect their companies from the loss of key individuals in their organization.

**Solution: key employee life insurance**

Key employee life insurance is a business protection strategy in which a business purchases a life insurance policy insuring a key employee. It can provide a death benefit that helps businesses replace lost sales, lower earnings and cover added costs for hiring and training a replacement, should a key person die.

**Three valuable features**

1. The business is the beneficiary of a life insurance policy.
2. Accumulated cash value in a permanent policy may be used for business expenses.
3. Policy may be transferred if a key employee leaves the company.

**Target client**

Businesses with the following characteristics:

- Privately held
- Executives between ages 45-64
- Death of an executive would financially impact the company

## Candidates

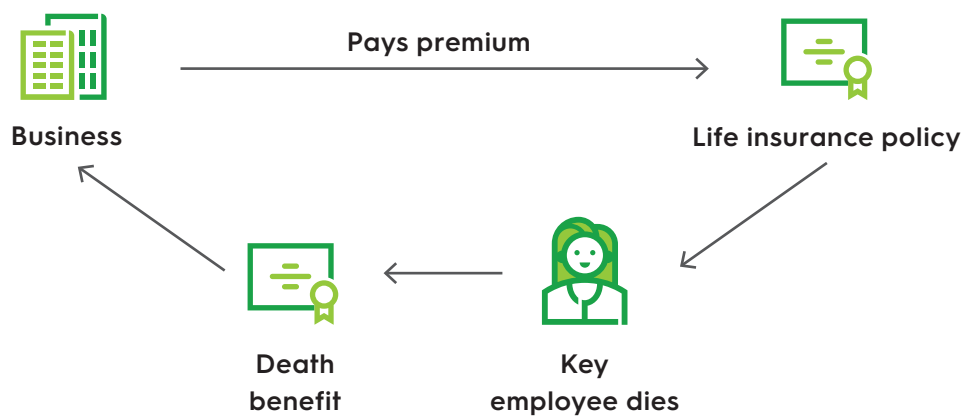
Sales professionals  
Managers  
Executives  
Other highly compensated employees

## Not considered candidates

Business owners  
Rank-and-file employees

## How it works

- The business purchases a life insurance policy on the key employee, naming itself the beneficiary
- Key employee must provide written consent prior to issuance of the life insurance contract<sup>1</sup>
- Upon the key employee's death, the business receives the policy's death benefit and uses it for related business expenses or losses





## Learn more

Do you have business owner clients who could benefit from a key employee life insurance strategy to protect against the loss of a key person? We can help – call our Advanced Sales Team today: **1-888-413-7860, option 3.**

1. The life insurance death benefit is income tax-free to the business if the business, at the time of purchase, had met the requirements of Internal Revenue Code Section 101(j). This includes providing the insured with advance notice, obtaining the insured's prior consent to be insured and meeting insured's executive income requirements. Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first fifteen years of the contract. Clients should consult their tax advisor when considering taking a policy loan or withdrawal.

The policy design chosen may impact the tax status of the policy. If too much premium is paid, the policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable, and if the taxpayer is under the age of 59½, may also be subject to an additional 10 percent penalty tax.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by, any taxpayer for the purpose of voiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

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