Sales Starters
Key Person Insurance

Closely held business owners whose business is dependent on a small number of key employees for financial success.

These clients are concerned that if a key employee dies, becomes disabled or resigns unexpectedly, the business could suffer financially.

HOW THIS WORKS

STEP 1
Identify a key person and determine the economic value to the business.

STEP 2
With the employee’s permission, the business applies for and pays premiums for a life insurance policy on the life of the employee. The business is the policy owner and beneficiary. (The employee will be subject to the normal underwriting application and approval process of the issuing company.)

STEP 3
The life insurance policy will pay a death benefit to the business if the key employee dies. Permanent policies will have cash value which accumulates tax deferred, and if needed, may be accessed by the business through withdrawals and loans.¹

¹ Distributions from a life insurance policy through withdrawals of certain policy values (up to cost basis) and loans are generally not taxed as income provided certain premium limits are followed which prevent a policy from becoming a Modified Endowment Contract (MEC). Distributions taken during the first fifteen years may be subject to tax. Loans and withdrawals will generally reduce the cash value available and death benefit payable. If policy loans are taken, there may be income tax consequences if the policy lapses, is surrendered or exchanged. Investments in variable life insurance are subject to market risk, including loss of principal.
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