

How Disability Buy-Out insurance works

Benefits overview

You and your partners have worked hard to build and run your business. Let Principal® help make sure your stake in the business is protected — no matter what life brings. Disability Buy-Out insurance helps provide the funding to purchase a disabled owner's interest in a business under a buy-sell agreement in the event of a total disability.

It helps:

- › Lessen the stress of determining how to financially complete the transfer of the business.
- › Maximize financial return and minimize the tax liability.

To help better explain how this insurance works, we've put together this general overview. To get specifics, be sure to check the policy.

Your Principal Disability Buy-Out insurance policy guarantees the cost cannot change until age 65 or 67, unless additional coverage is requested.

Easier exit planning

Ask about our complimentary services:¹

- **Buy-sell agreement reviews**
- **Informal business valuations**

They're a great way to get an independent review of what you have, especially if it's been a few years since it's been looked at.



How your policy pays

Disability Buy-Out insurance provides benefits — as monthly payments, a lump sum or as a combination — if the insured becomes totally disabled.

What does it mean to be totally disabled? It means the insured is unable to perform the substantial and material duties of his/her occupation and is no longer working in any other occupation for the company.

How much can be covered? In general, Principal takes into account the business valuation, other business financials and other disability coverage in force to come up with a maximum benefit amount.

How are benefits paid? Benefits are paid at the later of when the buy-out expense is incurred or at the end of the policy's elimination period. Benefits continue throughout the policy's benefit period or until the maximum benefit stated in the policy is paid.


What's included in the policy

The following features are available on your Principal Disability Buy-Out insurance policy:

- **Benefit Update Valuation rider²** – Every three years, the maximum amount of coverage can be increased (based on eligibility) — without proving good health. Advanced options may also be available.
- **Legal/Accounting Fee** – Up to \$3,000 for related legal and accounting expenses can be covered when the buy-sell agreement is exercised due to a disability. This benefit is paid in addition to all other benefits.
- **Exchange Privilege** – This policy can be exchanged for a Principal individual Disability Income insurance policy. It's a great benefit if the insured leaves the business and needs personal income protection.
- **Transfer Privilege** – If the insured ends employment at the company and becomes an owner in another company, this policy can be transferred without evidence of good health.
- **Waiver of Premium Benefit** – Principal suspends the cost for this policy when disability payments are being paid. We'll refund any payments made after a total disability began.
- **Full Benefit Continuation²** – For an additional cost, this feature allows the choice of receiving full benefits until the end of coverage.
- **Death Benefit** – This is paid if the insured dies while receiving monthly benefits.
- **Guaranteed coverage and cost** – Principal cannot change your policy due to changes in health. Coverage can be canceled by Principal:
 - If the policy has not been paid for.
 - If a written request to cancel the policy is received.
 - After the buy-sell agreement terminates or is executed.
 - If the insured is no longer employed with the company for any reason other than a total disability.
 - At the insured's age 65 or 67 policy anniversary.

¹ This information is provided with the understanding that Principal is not rendering legal, accounting, or tax advice. Consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

² Additional guidelines apply.

 **Let's connect** | Contact your local financial representative.



principal.com

Disability insurance from Principal® is issued by Principal Life Insurance Company, Des Moines, Iowa 50392-0002.

All features, provisions and riders may not be available in all states, with all occupation classes and in conjunction with each other. They may also be subject to state variations and require an additional premium. Please read your policy carefully for exact definitions in your state. Disability insurance has limitations and exclusions. For cost and coverage details, contact your Principal financial representative.

Not FDIC or NCUA insured
May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal, Principal and symbol design and Principal Financial Group are trademarks and service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.