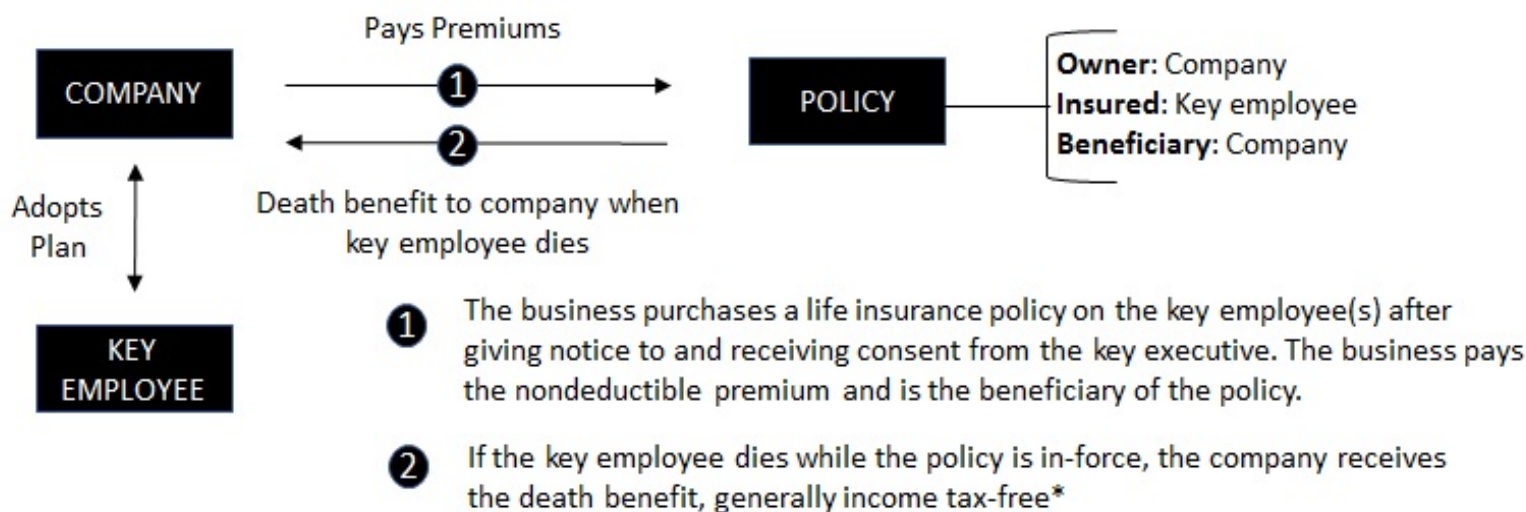


### PROTECTING THE BUSINESS FROM THE LOSS OF A VALUABLE EMPLOYEE

Your client will carry insurance coverage to protect their business from the loss of property and equipment, but what about their most valuable asset....their key employees? A key employee may be the owner, a partner, a top executive or an important member of their organization with unique talents, experience or skills that are critical to the prosperity of their business.

### STRATEGY: KEY PERSON COVERAGE



### CONSIDERATIONS FOR THE BUSINESS

- Key person insurance can provide a source of income to replace profits or capital lost because of a key employee's death.
- Death benefit proceeds can be used to fund the recruitment and training efforts to replace key employee.+
- Key person insurance gives the business access to cash to help settle any loans due, or to use for other expenses/bills as the company transitions.+

### CONSIDERATIONS FOR THE EMPLOYEE

- The employee's value as a key contributor to the business is confirmed
- If the employee holds an ownership interest in the business, they should be aware the death benefit proceeds may cause an increase in the value of their business interest. They should consult a professional tax advisor.
- Life insurance purchased and owned by a business on the employee may reduce their overall life insurance capacity.

\*For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2) (the transfer-for-value rule), arrangements that lack an insurable interest based on state law, and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

+Annual increase in policy cash values and death benefit proceeds may have corporate alternative minimum tax implications.

**For more information contact Hansen Brokerage Services. 616-940-4004**

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