

Small business owners often plan on leaving the family business to the next generation but are concerned that the business will struggle to survive when they die.

At time of transition, the incoming generation will need the support from existing key employees that have been instrumental in the company's success. This is where there's reason for concern since existing employees may not be as inclined to work for the next generation owner and the question of "will they stay?" weighs heavily on the existing owner's mind.

The Stay Bonus Strategy is designed specifically to help ensure that key employees remain engaged and incentivized through an ownership transition.

HERE'S HOW IT WORKS

STEP 1	The business agrees to increase select employees' compensation by 25, 35 or even 50% for a specified period of time – up to two years – after the ownership is transitioned (current business owner's death)
STEP 2	In return, the select employees agree to stay and work for the next generation during the transition period
STEP 3	The business owner purchases and pays the premiums for a permanent accumulation life insurance policy, providing both protection and growth potential for the future
STEP 4	By paying the premiums, the business owner is leveraging dollars for a substantially larger death benefit amount and, in effect, prefunding the additional salary amounts promised at time of the transition of ownership. This helps eliminate additional pressure on the business' cash flow at a critical time
STEP 5	When the business owner dies, the business can use the death benefit to satisfy the Stay Bonus arrangement
STEP 6	If the business owner doesn't die before the next generations is ready to take over the company, the life insurance plan's cash value can be used to supplement retirement income, fund the additional salary obligations of the key employees, and for other needs to ensure a smooth transition and retention of the key employees

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