



Key person insurance client portrait

For your business owner clients, their top employees are the lifeblood of their business. That can pose a significant risk — because if a key employee should die, their business can suffer financially. You can help protect your clients by introducing them to key person insurance.

What you need to know about key person insurance

- Key person insurance is life insurance that helps protect a business financially from the death or disability of a valuable employee — such as an executive, manager, top salesperson, partner or owner.
- The proceeds from key person insurance can be used for any purpose — such as hiring and training new personnel, meeting debt obligations, and smoothing out cash flow irregularities.

The advantages of key person insurance

Key Person Insurance can be structured with flexible options that provide benefits for both key employees and the business. Business owners often find this solution attractive for many reasons:

1. **It's simple.** Life insurance provides an easy way to create funds should anything happen to your key employee.
2. **It's cost effective.** Since the business owns the life insurance policy, its cash value is carried on the firm's books as an asset.
3. **It's flexible.** At the retirement of the key employee, the business could choose to give the policy to the employee. It could even give the policy to some employees, but not others.
4. **It creates confidence.** Banks, creditors and valued partners can be assured that the business will continue uninterrupted in the event of the insured's death.



Clients at-a-glance

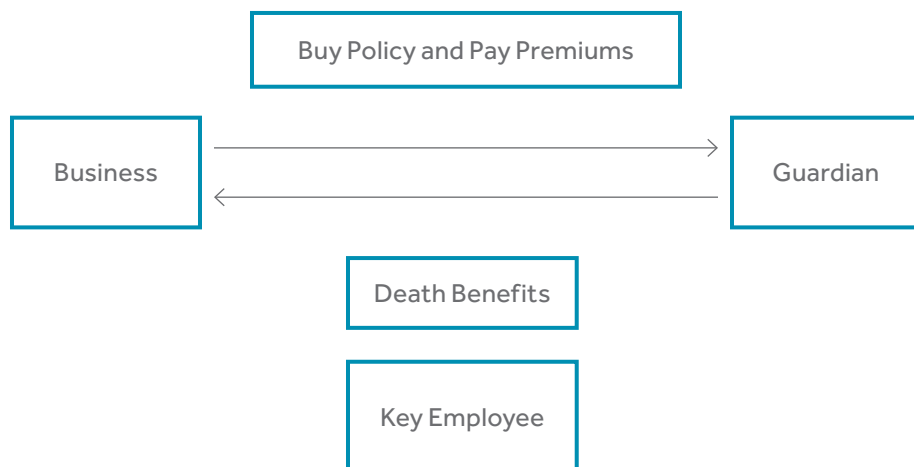
Employer profile:

- Owners of businesses organized as C-Corps, S-Corps, Sole Proprietorships, Partnerships, or LLCs
- All business sizes, but particularly small or medium-sized businesses whose profits rely largely on one or more “key” employees
- Any business owner whose revenue and profits would be harmed by the death or disability of one or more top-performing employees

Employee profile:

- Ages: 30-65
- Status: Key contributor to the success of the company

Here's how key person insurance would work for your clients



1. With the key employee's written consent, your client purchases a Guardian whole life policy on the employee's life.¹ The face amount will be an estimate of the cost of losing the key employee (subject to underwriting limits), and should include funds to maintain company operations and hire a replacement.
2. Your client pays the premiums and receives the death benefit. Also, the employer owns any cash value — which will appear on the company's books as an asset.
3. If the employee dies, your client receives the death benefit income tax-free.² This money can be used to offset losses due to decreases in productivity/sales or provide funds to recruit and train a suitable replacement.

Important questions to ask your clients

- What's more important to your business — its tangible assets, such as buildings and equipment — or the top people who help make it successful?
- Do you have partners, executives, managers, or sales people who make substantial contributions to your business's bottom line?
- What would happen to your business should any of these key people (including you) were to die?
- If a key employee should die, would you have to hire and train a replacement? Would your business suffer productivity and revenue losses?

Additional options

A key person plan can be as flexible as your client desires and needs dictate. Additional variations include:

- Providing a pre-retirement Split Dollar death benefit for the protection of the key employee's family.
- Bonusing the policy to the key employee at retirement on an ad-hoc basis, as an added employee benefit to provide post-retirement insurance and/or supplemental retirement income.³

Let's talk about how you can help your clients leverage key person insurance to help protect their most valuable asset.

Please give us a call at 800 871 7780, Option 3 to set up a time to begin the conversation.

The Guardian Life Insurance
Company of America

guardianlife.com

New York, NY

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¹ The Pension Protection Act of 2006 created certain reporting and notice-and-consent rules, and some other technical requirements, for all employer-owned life insurance. Failure to comply could subject part of the life insurance proceeds to income taxation.

² Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

³ Care should be taken not to create a promise, formal or informal, to give the policy to the executive at retirement. Doing so could inadvertently create a Non-Qualified Deferred Compensation plan which would then be subject to IRC 409A.

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