Key Person Coverage Using Term Life Insurance

Protect Your Most Important Business Assets

MetLife

Running your own business isn't easy. There is so much to do: getting to market, hiring, focusing on increasing sales, paying bills, etc. It's hard to find the time to consider issues that may not be immediate concerns but are important nonetheless. Insurance is one of those items you need to make time for, specifically key person life insurance.

Key person insurance is simply life insurance the business owns on its key employees. In small businesses, this is typically the owner and key employees who account for a significant portion of the business' success. These are the people who are critical to the business and whose death could threaten the business' survival.

Did You Know?

As an owner, it's important not to confuse key person insurance covering yourself with personal life insurance. If you have a spouse, children or other loved ones to protect, you should have personal life insurance for that purpose.

With key person insurance the company purchases a life insurance policy on the life of the key employee(s). The company is the owner and beneficiary of the policy. (The insured employee has no rights to the policy, but must consent to the business purchasing coverage.) If the person dies while the policy is still in force, the death benefit is paid to the company. This cash can help the business recruit and train a replacement, pay off debts or close the business in an orderly manner. In a tragic situation, the key person insurance provides the company with financial options to adjust.

Key Person Insurance

A key person life insurance policy may provide immediate liquidity in the event of a critical employee's unexpected death.

Who is a key person?

- Owner employees
- Senior management
- Sales leaders
- Technical experts
- Credentialed specialists

Did You Know?

Even if the policy never pays a death benefit, it can be helpful when applying for business credit or loans. This is because lenders may be more cautious lending to small businesses without this coverage.

How can the life insurance proceeds be used to support my business?

- Recruiting, hiring and training a replacement employee.
- Strengthening the company's credit rating.
- Helping replace lost profits.
- Paying survivor benefits.
- Purchasing ownership interests from deceased employee's estate.
- Adding to corporate surplus.

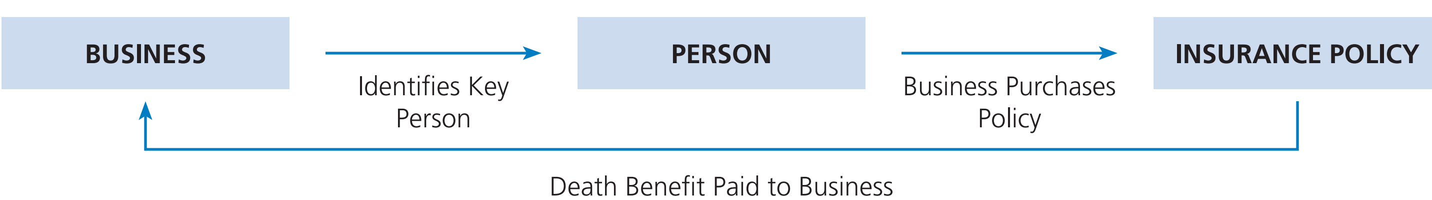
Why life insurance as opposed to some other type of asset?

Life insurance is often used to protect against the loss of a key employee. The annual premiums are typically affordable compared to the total amount of money that would have to be quickly raised if a death did occur early in the policy. Although life insurance premiums paid on a key employee do not qualify as a deductible business expense, the death benefit proceeds are generally received income tax free by the company.[1]

Replacing a key person could result in:

- Significant expense to recruit and train a replacement.
- Lost productivity, sales or customer relationships.
- Weakened company credit.
- Having to pay funds to the employee's surviving family.

How does it work?



[1] You should consult with and rely on your own independent legal and tax advisors regarding your particular set of facts and circumstances.

A four step process to be filled out with your financial professional to determine the proper amount of coverage

Step 1: *Who Do You Cover?*

Typically each owner is covered unless the remaining owners have the desire and ability to assume the responsibilities, as well as the financial means to purchase the shares, of the deceased owner.

In addition, employees with special skills, relationships or other contributions that would be costly and difficult to replace should be covered.

Name of key person: ______________________

Did You Know?

Purchasing one term policy to last the full duration until retirement may appear more expensive at first glance, but is actually likely to have lower total premium than a combination of shorter duration policies. Choosing a single policy to cover the time until retirement also ensures the business will not be left without coverage should the key employee become uninsurable in the future.

Step 2: *When is Coverage Needed?*

Insurance protection is typically provided until the assumed retirement date of the key person.

Key person(s) expected retirement age: ____________ – Key person(s) age: _________ = ___________

Circle closest number of years:

1 year | 10 years | 15 years | 20 years | 30 years

Step 3: *What Amount of Coverage?*

Use this simple calculation to help evaluate the value of the employee to the business.

____________	x	____________	=	____________	+	____________	=	____________
A Total revenue employee generates for the business annually		**B** Number of years until replacement can be equally productive		**C** Total		**D** Total cost of recruiting and training replacement		**E** Economic value of key employee (total coverage needed)

Step 4: *How Much Business Risk to Protect?*

Protecting the projected amount of financial risk to my business in the event of the key person's death would cost:

Coverage duration from Step 2: ____________________________

Economic value from Step 3: ____________________________

MetLife term policy monthly premium: ______________________

Remember that what your business can afford is better than the risk of not having any coverage. In the event of tragedy, having some protection in place will give you options and help address the short term needs of the business.

Like most insurance policies, MetLife's policies contain charges, limitations, exclusions, termination provisions and terms for keeping them in force. Contact your financial representative for costs and complete details.

The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion and marketing of insurance or other financial products and services. Clients should seek advice based on their particular circumstances from an independent tax advisor since any discussion of taxes is for general informational purposes only and does not purport to be complete or cover every situation.

MetLife, its agents, and representatives may not give legal, tax or accounting advice and this document should not be construed as such. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Guaranteed Level Term is issued by MetLife Insurance Company USA on Policy Form 5E-23-12 and in New York only by Metropolitan Life Insurance Company on Policy Form 1E-23-12-NY. All are MetLife companies. All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

Term Insurance Products Are:
• Not a Deposit • Not FDIC-Insured • Not Insured By Any Federal Government Agency • Not Guaranteed By Any Bank or Credit Union

MetLife

MetLife Insurance Company USA
11225 North Community House Road
Charlotte, NC 28277

Metropolitan Life Insurance Company
200 Park Avenue
New York, NY 10166
metlife.com

CLTM24030-1 L1014394418[0516][All States][DC,PR]