

For the Closely Held Business Owner  
**Protecting Your Business from the Loss of a Key Employee**



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# Protecting Your Business from the Loss of a Key Employee—Today and for the Future.

You're running a successful business and you know that in order to continue that success, you need to protect your business assets. So, you protect your physical plant and warehouses by purchasing fire and casualty insurance coverage. You protect your trucks and vehicles by purchasing auto insurance. You protect your inventory and equipment by purchasing property and casualty insurance. You think you've done everything you can to ensure that all of your business assets are insured to prevent any long term adverse effects on your company, in the event of an accident or casualty event.

But wait . . . have you really taken all of the necessary steps to protect your business so that it can continue to grow and that your dream will actually be realized?

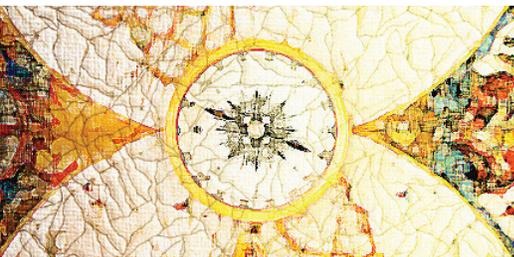
How would you answer the following questions? Do the questions or your answers raise any concerns?

- Do you have executives, managers or top sales people helping you to make the business successful?
- What would happen to your business should any of these key employees become disabled or die?
- If a key employee should become disabled or die, would you have to hire and train a replacement? Would there be any loss in productivity and revenue?
- What would happen to your personal cash flow if any of your key employees becomes disabled or dies?
- What's more important to your business, your sales people, managers and executives, or the real estate and tangible assets used in your business?

These are just a few of the questions that you need to ask yourself. Not having a fully considered and satisfactory answer for even one question can lead to unintended and unfortunate consequences. Fortunately, you're in a position to do something about it now, and to protect your business today, and for the future.

# Key Employee Insurance

What's interesting is that most business owners have no problems thinking of their business assets in terms of inventory, physical plant, vehicles, accounts receivable, and tangible items. They also have no problems with understanding the need to insure these assets with property and casualty insurance or business interruption insurance. Yet, the asset most overlooked is human capital. The most important asset to any business, regardless of size, is the person, or group of people, who are responsible for the success of the business, and without them, the business would not be what it is today . . . and, that includes you, too!

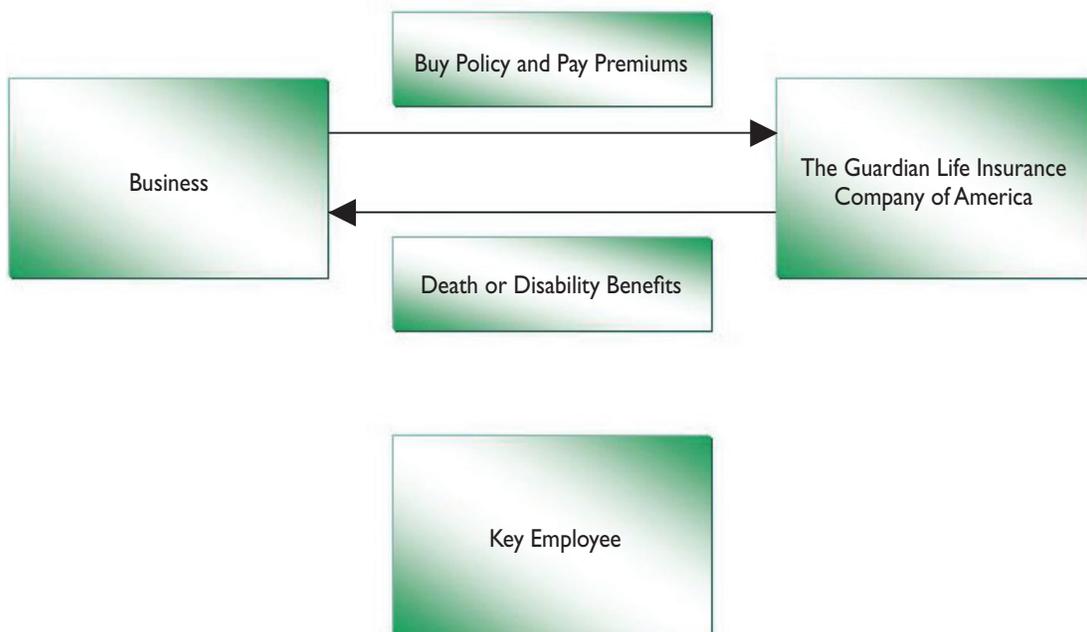


Key employee insurance is nothing more than the insurance necessary to help protect you and your business from the loss of a very valuable employee (i.e., executive, manager, top salesperson, etc.) in the event of a casualty (e.g., death or disability). As a business owner, you and your active co-owners may also be key employees.

In the event of a key employee's death or disability (including co-owners), several issues might typically arise in the business:

- Temporary or permanent decrease in productivity or sales, impacting revenue and profits.
- Concerns raised by creditors including a contraction of credit, or worse, triggering an event causing repayment of a loan.
- Concerns raised by customers and clients, impacting client relations, sales and revenue.
- Inability to convert new prospects into clients.
- Time and expense to recruit a suitable replacement.
- Time and expense to train the new employee.

**Key employee** insurance is a life insurance and/or disability insurance<sup>1</sup> policy purchased and owned by the business, on the life of the key employee. Upon the death or disability of the key employee, the insurance policy will pay out the proceeds to the business, providing an immediate source of funds to the business. By using permanent life insurance, the life insurance policy can also be a valuable asset to the company's balance sheet (i.e., the policy's cash values). The policy can provide a source of funds, through the cash values, to meet unexpected business expenses, or for other business purposes.



This is a very simple plan to implement. You simply insure whomever you believe is a key employee. No governmental or regulatory approval is required. For life insurance, there is an additional requirement that the employer must notify and obtain the employee's consent and comply with certain filing requirements that apply to all employer-owned life insurance.<sup>2</sup>

<sup>1</sup> Disability buyout insurance products are underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY.

<sup>2</sup> 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.

## Conclusion

Now is the best time to create a plan to protect your business, before something catastrophic happens. You will feel more secure and have peace of mind that you have really done everything you can to ensure that you and your family reap the benefits of all of your hard work to build the business to where it is today. If you have partners or co-owners, now is the time to plan together while times are good, and the business is operating smoothly. You need to keep it that way. Your Guardian Financial Representative can help.

More information about Guardian can be obtained at:  
[www.GuardianLife.com](http://www.GuardianLife.com).





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**The Guardian Life Insurance  
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7 Hanover Square  
New York, NY 10004-4025  
[www.GuardianLife.com](http://www.GuardianLife.com)