Protecting Against the Loss of a Key Employee

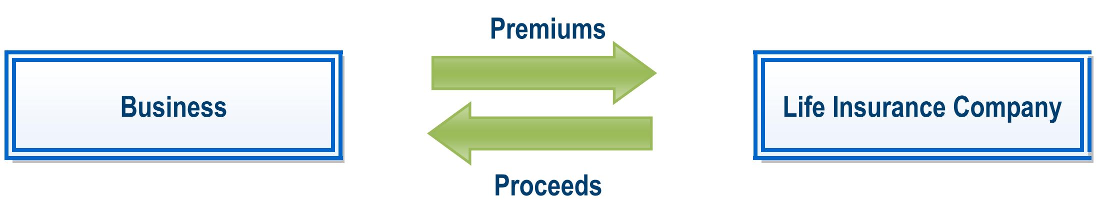
Business owners frequently use life insurance to protect their company from many of the potential problems which may otherwise damage or destroy what has taken years to build.

Life insurance is unique in that it will generally pay the pre-determined amount no matter when the death occurs.

The premiums are usually small compared to the potential death benefit. Also, if policies are used which develop cash values, they can be shown as business assets on the balance sheet, contributing to the value of the business and potentially to its borrowing power.

Borrowing against cash values may also be a lifesaving source in times of financial crisis.[1]

How Key Employee Insurance Works



- Company owns the policy
- Company pays the premiums
- After death, the company collects the policy proceeds[2]

Potential Uses for Proceeds

- Purchasing stock from the decedent's estate
- Honoring salary continuation arrangements to surviving spouse
- Finding, recruiting, and training a new employee
- Paying any necessary bills and strengthening the credit position
- Funding expansion of the business
- Adding income-tax free corporate surplus

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[1] Policy loans and interest will reduce the payable death benefit of a policy. If a policy lapses or is surrendered with a loan outstanding, the loan will be treated as taxable income in the current year, to the extent of gain in the policy.

[2] Under the provisions of IRC Sec. 101(j), added by the Pension Protection Act of 2006, death proceeds from a life insurance policy owned by an employer on the life of an employee are generally includable in income, unless certain requirements are met. The law was effective for contracts issued after August 17, 2006, except for contracts acquired under an IRC Sec. 1035 Exchange. State or local law may vary. Professional legal and tax guidance is strongly recommended.

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