

# Key Person Insurance

Often, the most valuable assets of any business are the key people who contribute most to its success. Have you considered the amount of time and money it would take to replace their expertise and knowledge? You can help protect your business with a key person insurance policy. Key person insurance is a simple, efficient way to provide your business with the funds necessary to handle the loss of a key employee and recruit and train a replacement.

## How key person insurance works

The business is the owner and beneficiary of a life insurance policy that insures a key employee. Then, upon an unexpected death, the business receives the death proceeds, generally income tax-free.



## Advantages

- Provides immediate cash after the death of a key employee.
- Provides cost-effective liquidity to help the business function after losing a key employee.
- Policy cash values appear as an asset on the business's balance sheet.
- Provides access to policy cash values during the life of the policy that may be used for various business needs, including informally financing executive benefit programs.
- Low-cost term or permanent policies may provide significant death benefits.

## Considerations

- If retaining key employees is a concern, consider the benefits of a retention bonus plan. This plan allows design flexibility as well as funding to protect your most valued employees under multiple contingencies.
- Carefully consider which type of insurance and funding method is right for your business.
- Consider the effect significant holdings of life insurance policies will have on the business's capital and liquidity.

**FOR MORE INFORMATION**

Contact your local financial professional.



WE'LL GIVE YOU AN EDGE®

Principal National Life Insurance Company and Principal Life Insurance Company, Des Moines, Iowa 50392-0001, [www.principal.com](http://www.principal.com)

While this communication may be used to promote or market a transaction or an idea that is discussed in the publication, it is intended to provide general information about the subject matter covered and is provided with the understanding that none of the member companies of The Principal are rendering legal, accounting, or tax advice. It is not a marketed opinion and may not be used to avoid penalties under the Internal Revenue Code. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer and/or insurance agency selling the policy, or by any of their affiliates, and none of them makes any representations or guarantees regarding the claims paying ability of the issuing insurance company.

Insurance issued by Principal National Life Insurance Co. (except in NY) and Principal Life Insurance Co. Principal National and Principal Life are members of the Principal Financial Group, Des Moines, IA 50392.

**Not FDIC or NCUA insured**

**May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any Federal government agency**