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# › Guide to Working with Business Owners



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What if you could successfully approach small business owners about their needs? Their dream is to become more profitable and more stable. For small business owners, protecting their physical and financial assets is always top of mind.

This guide includes owner's buying behavior and their attitudes toward insurance and financial services purchases. Use this information to design an approach that addresses small business owners' concerns head-on.

Another great resource is Mutual of Omaha's Advanced Markets team, which can help you with recommendations on business planning concepts such as buy-sell agreements, key employee insurance and executive compensation once you get into the sales phase with business owners.

**Only 47 percent** of small businesses currently offer insurance benefits to their employees. Two thirds of small businesses without benefits have not been approached about offering them in the past year, but many will agree to meet with a producer when contacted.

*(No Small Matter, LIMRA, 2013)*



## HOW BUSINESS OWNERS WANT TO BUY

When it comes to business purchases, insurance or otherwise, owners like to start the ball rolling. They do a lot of research online and want referrals. They tend to value:

- **Service and quality over price** – they want the best option they can afford rather than the cheapest
- **Personalization** – owners see their businesses as unique and want programs tailored to their needs
- **Consideration of their time** – time is money to the self-employed, who generally prefer appointments to walk-ins
- **Rapport with their agent** – owners generally prefer to work with one agent but want access to specialists, who may offer new ideas or uncover gaps

### WHAT IT MEANS TO YOU

Keep in mind the topics that are important to business owners. For example, consider concepts like linking life insurance to the prominent concern topics such as the loss of a key employee or protecting ownership in business. This demonstrates its versatility and potential for lifetime benefits. Doing so can increase your effectiveness in this market and be the final touch on a financial masterpiece for your clients.





**75 percent of small business owners** don't have an accurate idea of what their business is worth.

*(BizEquity, 2016)*

## TIPS ON APPROACHING SMALL BUSINESS OWNERS

Small business owners respond well to an approach that includes educational information and planning for their future success. They feel their business is unique. If you can teach them something, they will be more open to meeting with and listening to you.

### DO YOUR RESEARCH:

- Know the owner's name and what their business does
- Factfind about the business before contacting the owner
- Find industry-related issues they might be facing – present how you can help

### PROVIDE EDUCATIONAL VALUE:

- Find an immediate need:
  - Bring something to make the business better – knowledge, education, etc.
  - Customize your advice around past needs, budget, future plans and the small business industry
- Use stories and your own experiences about helping others in similar situations
- Mention that agents are also local business owners
- Suggest issues that could negatively affect their business
- Be prepared to leave something behind and schedule an appointment if the owner isn't available
- Multiple touches help get you remembered:
  - Direct mail, call, email, etc.
  - Brand yourself and get your name in front of owners

### RESPECT THE OWNER'S TIME:

- Recommend a strategy to get their attention: use the owner's name and simply ask for an introduction
- Owners are busy and may not be able to meet the first time around, but don't give up on setting the meeting
- Ask for 3 minutes of their time. Those 3 minutes earn you the next 15 another day
- Best businesses to walk and talk – manufacturing, construction, retail and medical

### RELATE ON A PERSONAL LEVEL:

- "What keeps you up at night?"
- "What is your exit strategy?"
- Don't discount the gatekeeper
  - They can be your advocate. Explain to them what you can do for the owner and try to schedule an appointment
- Your questions don't have to be product related (i.e., interests, hobbies, family, etc.)
- Don't focus on you and what you can offer – focus on them and their needs during the first contact







## NETWORKING

By going where business owners already are, you can create a competitive edge and distinguish yourself from other insurance professionals. This will ensure that you stay referable and relevant to your client and potential clients.

### Networking tips:

- › Attend networking events, associations and small business groups
- › Use referrals through associations and professional networking groups
- › Find businesses that are in their first year of operation – owners advocate for suppliers to proactively engage them at the earliest stages of starting a business
- › Consult industry peers
- › Visit store locations
- › Read websites for specs and reviews
- › Provide a cost benefit analysis related to life insurance
- › Educate owners by presenting seminars at association meetings, local business schools, etc.
- › Owner forums
- › Be active and engage on social media

## HOW TO SELL TO BUSINESS OWNERS

There is a significant gap in small business owners' understanding of insurance options and benefits for their businesses. They view their insurance provider as a partner who can consult them on their business needs, identify gaps in their current coverage and provide educational tools for solving business issues. They prefer the simplicity of a generalist over a specialist, with the caveat that they would expect the generalist to have access to specialists to include in conversations as needed.

### OWNERS' PREFERRED METHOD OF COMMUNICATION

Small business owners want to know that you “service their industry” and that their information will be safe, secure and not sold or shared with other companies.

### Communication tips:

- › Use a local phone number instead of an 800 number
- › Send personalized direct mail or letters:
  - Hand-addressed card-sized letters are opened most often
- › Send personalized email:
  - Personalized subject lines indicate that the content is relevant to the owner or business, and increases panelists' likelihood to open an email
  - Send the email from an individual, rather than a marketing inbox
- › Use results-driven language (by doing this, you will get this)
- › Simplify and speak in terms that are easy to understand
- › Incorporate messaging about Return on Investment (ROI), rather than price
- › Be sure to follow-up:
  - Follow-up even if you are told no and provide educational information when you do
  - The owner may not buy now, but follow-ups may help you get the business later
  - Advise with frequency tailored to their needs

- Use noninvasive regular touches by checking in every 60-90 days after initial point of contact
- Perform more of a branding call vs. a sales call

**Example:**

*“This is John Doe, from Mutual of Omaha, checking on how your business is doing and reminding you that I’m here if you need me. Would you like me to follow-up monthly, bimonthly or quarterly?”\**

**DO’S AND DON’TS**

Targeting small business owners can be difficult, but if you follow the essential do’s and don’ts of selling to them, you will be more successful at getting in front of the decision makers when you need to. The goal is to help the research process and make it easier for the business owners to focus on the critical aspects of protecting what they have worked hard to build.

**Do’s:**

- › Build trust and dependability through a personal connection
- › Connect with the owners on common values and interests
- › Tailor solutions to owner’s needs and constraints
- › Show respect for owner’s time – if 5 or 10 minutes, DO NOT go over
- › Present hypothetical small business examples to explain and accentuate product/service relevance
- › Exhibit professional persistence
- › Be upfront about benefits and total costs
- › Give a timely quote or explanation of the quote
- › Present options to save the owners time and make their businesses appear more professional
- › If you say you will call back, call back. Follow-up now and 3-5 times a year
- › Keep the conversation about them
- › Listen more instead of presenting and leaving
- › Provide good service and find them the best option
- › Point out what is relevant or go over the information with the owner. If you don’t think it’s important to go over with them, they won’t either

**Don’ts:**

- › Expect a meeting without an appointment
- › Make a generic pitch
- › Show up without doing your research about the company needs
- › Just hand marketing materials to the owner to read over
- › Neglect to follow-up after initial interaction
- › Disrespect the owner’s time by starting over at every touch point
- › Make a pitch centered on the product rather than owners’ needs
- › Contact owners only during renewal time – build a relationship with them



\*All insurance agents are required to comply with Mutual of Omaha’s Do Not Call policy which is located on Sales Professional Access (SPA) for your convenience. Please ensure you have read and understand this policy.

Most business owners acknowledge the importance of succession planning, yet only **24 percent of small business owners** have a formal business plan in place.

*(Mutual of Omaha Small Business Study, 2015)*



## PAIN POINTS FOR SMALL BUSINESS OWNERS

As their business matures, owners' pain points tend to shift away from cash flow management and revenue to talent acquisition and keeping the customer base consistent. They cited talent acquisition, employee performance, customer satisfaction, cash flow and risk management as some of their biggest pain points. Additionally, most owners do not have a succession or emergency plan in place. (Mutual of Omaha Small Business Study, 2015)

### Ownership Interests:

- › Day-to-day concerns often trump strategic planning for the future
- › Owners consider themselves to still be growing
- › Most owners don't think about impending or possible changes
- › Many owners felt they were unprepared and wanted to call an agent right away to get guidance and a plan in place

**Solutions:** business valuations; buy-sell reviews; and life insurance to help fund the buy-sell agreement

### Cash flow:

- › Reducing and controlling costs of business
- › How the government budget cuts might impact business revenue
- › Having enough money to pay employees insurance
- › Concerns regarding the cost and quality of labor

**Solutions:** supplemental insurance for employees that's paid by employees; business overhead expense coverage in case something happens to the owner; and cash accumulation life insurance

### Mitigating risk/safety:

- › If something happened to the owner, the business could quickly become a liability
- › Being liable or sued if something happens
- › Understanding the benefit of protecting family (life insurance for themselves)
- › Unknown health care factors

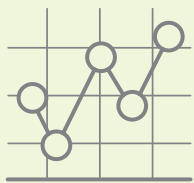
**Solutions:** disability insurance; business overhead expense coverage; and key employee insurance

### Employees:

- › Issues surrounding employee hiring, training, safety and retention
- › Growth – if we grow and hire more people, what happens if business doesn't continue to be successful? Is it better to stay where you're at now?
- › Employee motivation
- › Management team – personality conflicts
- › Costs for employees

**Solutions:** executive bonus; retirement plans; deferred compensation; key employee insurance; and employee-paid supplemental insurance





**Lack of business valuation knowledge and financial knowledge** about one's own business is one of the top two issues facing small business owners and leaders.

*(Small Business Association)*

## PROVE YOUR VALUE

To succeed in penetrating the small business market, it's important to think and act like a business owner. Understanding the concerns and questions that owners have will help you come up with a more personalized and relevant angle to approach them.

### Questions to ask small business owners:

- If you were injured or sick and couldn't work, who would run your business?
- Are you prepared if something should happen to you or a key employee?
- Are your families and employees protected if something happened to you?
- If you lose a key employee, what financial impact would it have on your business?
- Are you concerned about retaining key employees?
- How can we help each other out? Create a win-win situation

### GO WHERE THEY ARE

Small business owners tend to respond to relationships rather than agents selling them something. In order to develop those relationships, you need to get in front of the owners where they are already present.

### Ideas to get in front of owners:

- Attend industry events
- Invite the owner to lunch
- Participate in networking groups
- Participate in business owners forums
- Attend charity events or volunteer
- Participate and engage in social media
- Attend business openings
- Host a golf outing
- Give a presentation for medical students (dental, chiropractic, ex.) in their third or fourth year
- Speak to the gatekeeper, they will make an appointment if it's a good fit
- Attend industry tradeshows
- Walk-ins are welcome for construction industries
- Anticipate startup needs by giving educational workshops at professional schools and small business incubators
- Partner with local business associations and industry groups to offer educational seminars and networking events, rather than trying to recruit owners to an event hosted solely by Mutual of Omaha



## INSURANCE TRIGGERS

New purchases are primarily triggered by a change in internal needs, rather than external influence. While there was no single trigger for an insurance purchase, the majority of owners follow the needs of their employees and advice of their peers.

### Trigger events:

- › Startup needs
- › Lapse or issue in existing coverage
- › Renewal period
- › Moving to a different location
- › Employee demand
- › Referrals through business associations
- › Business needs change
- › Business growth
- › Employees make a recommendation
- › Network referrals from industry peers
- › Change of ownership
- › As a result of the “break-fix” mentality, the majority of sales interactions are initiated by the owner

## SERVICES YOU CAN OFFER SMALL BUSINESS OWNERS

- › Business valuations
- › Buy/Sell planning
- › Key employee and executive compensation strategies
- › Wealth management and estate planning
- › Succession consulting
- › Income planning
- › Retirement planning
- › Protecting the family/income replacement
- › Employee benefits
- › Business overhead coverage





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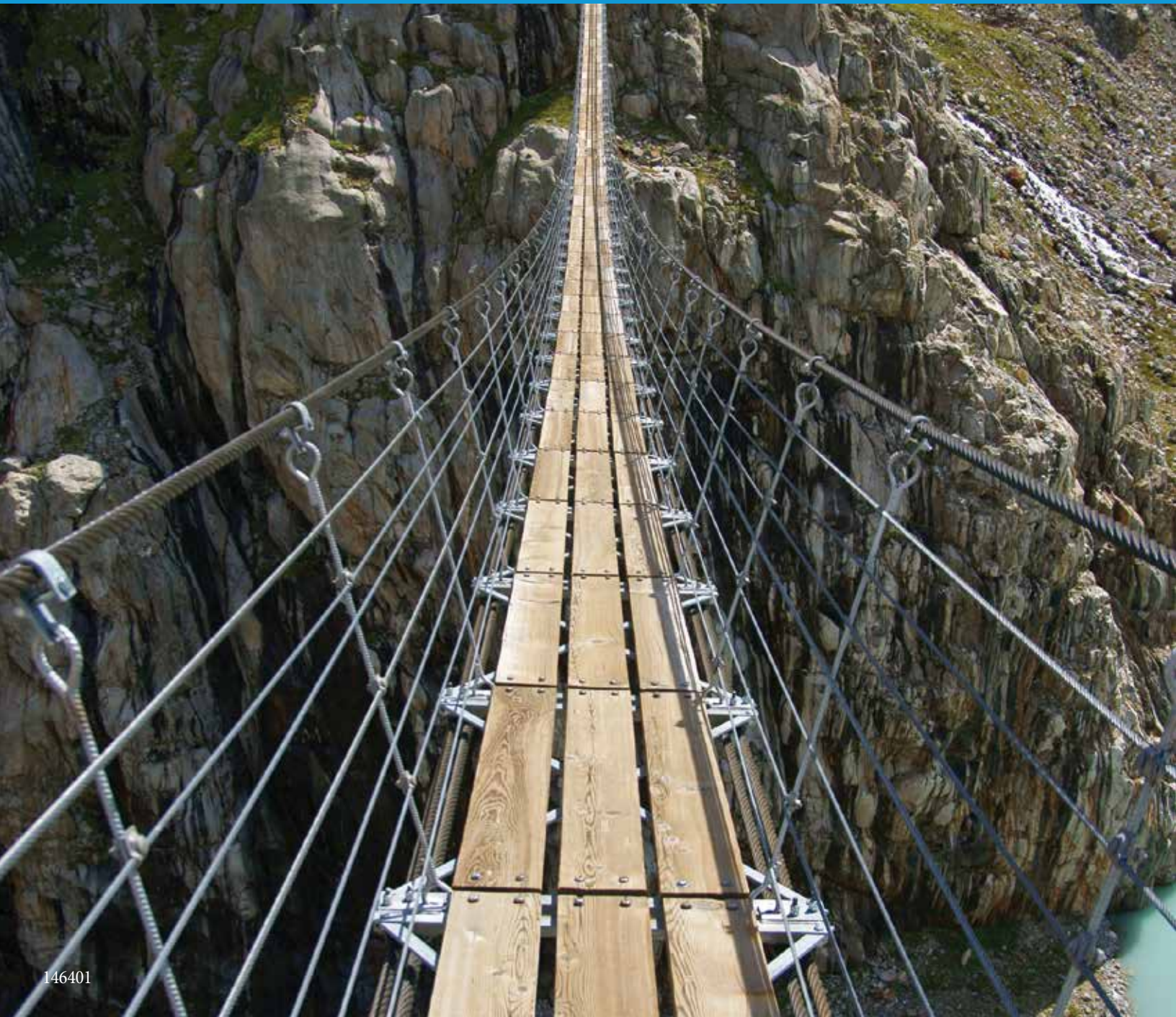
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# › Business Owner Factfinder



## INFORMAL BUSINESS VALUATION

Business Name \_\_\_\_\_

Business Owner Name \_\_\_\_\_ Other Contact Name \_\_\_\_\_

Tax ID \_\_\_\_\_ Phone Number \_\_\_\_\_ Fax Number \_\_\_\_\_

Address \_\_\_\_\_ City/State/ZIP \_\_\_\_\_

Email Address \_\_\_\_\_

Number of Years in Business \_\_\_\_\_ Total Number of Employees \_\_\_\_\_

Form of Business: ☐ Sole Proprietorship ☐ Partnership  
☐ S Corp ☐ C Corp  
☐ LLC ☐ Other (please describe) \_\_\_\_\_  
\_\_\_\_\_

Do you plan on changing the business organizational form in the near future? \_\_\_\_\_

What is your estimate of the value of your business? \_\_\_\_\_

Have you had a formal appraisal? When was it done? What was the value? \_\_\_\_\_

What is your projected revenue growth? \_\_\_\_\_

What percentage of your business is recurring? \_\_\_\_\_

What percentage of your sales comes from your top three customers? \_\_\_\_\_

What would be the impact on revenues and profits if the owner(s) leave?

☐ No impact ☐ Decline minimally ☐ Significant decline ☐ Plummet

### IMPORTANT:

Attach the most recent **three** years of the following:

- Income statement/Profit and loss statement
- Balance sheet
- Company tax returns

Also, if prepared, please attach these documents:

- Cash flow statements
- Statements of owner's net
- Most recent valuation or appraisal

**This completes the information required for an informal business valuation. If you want a more detailed business succession planning or personal planning analysis, please continue to complete the appropriate sections of the factfinder on the following pages.**

The purpose of this information is to assist the business owner in the furtherance of their planning. A formal appraisal would be needed to establish the value for tax purposes or prior to a transfer.

## TRANSFERRING YOUR BUSINESS

### Are you planning on retiring?

When, and what plans have you made to provide for your retirement income needs? \_\_\_\_\_

\_\_\_\_\_

What does your ideal exit plan from your business look like? \_\_\_\_\_

\_\_\_\_\_

What specific plans have you made for the continuation of your business? \_\_\_\_\_

\_\_\_\_\_

Have you designated successor management? \_\_\_\_\_

### If the business is to be retained...

Who could manage the business tomorrow? \_\_\_\_\_

How will spouse/family receive income from the business? \_\_\_\_\_

Will additional cash in the business be needed to smooth out the transition? \_\_\_\_\_

### If the business is to be sold...

Who will buy the business? \_\_\_\_\_

Do you have a written plan to transfer your company ownership? \_\_\_\_\_

If yes, what is the agreed upon price? \_\_\_\_\_

How current is your plan? \_\_\_\_\_

How was the valuation determined? \_\_\_\_\_

How is the plan funded? \_\_\_\_\_

### If the business is to be transferred...

When and who will you transfer management control to? \_\_\_\_\_

When and who will you transfer ownership to? \_\_\_\_\_

### If the business is to be liquidated...

What price would liquidation bring? \_\_\_\_\_

What arrangements have you made, if any, to make up the difference between this and the fair market value of your business?

\_\_\_\_\_



## PROTECTING YOUR BUSINESS

### What would happen to your business if...

Something happened to your key employees (sick, leave or die)? \_\_\_\_\_

You couldn't come back to work (die or disabled)? \_\_\_\_\_

In the event of you or another owner's disability, would additional funds be needed to help the business pay for normal operating expenses? ☐ Yes ☐ No How much \$ \_\_\_\_\_ How long? \_\_\_\_\_

Do you currently have a plan in place to pay for these expenses? \_\_\_\_\_

### Salary Continuation

At owner's disability, will salary/draw be continued?

☐ Yes ☐ No How much? \$ \_\_\_\_\_ How long? \_\_\_\_\_

At a key employee's disability, will salary be continued?

☐ Yes ☐ No How much? \$ \_\_\_\_\_ How long? \_\_\_\_\_

At another employee's disability, will salary be continued?

☐ Yes ☐ No How much? \$ \_\_\_\_\_ How long? \_\_\_\_\_

Do you have any DI coverage to fund your plan? \_\_\_\_\_

### Current or Desired Employee Benefit Plans

Does the business have any of the following plans in place for owners? Employees? Please explain.

- Retirement plans (e.g., 401(k), SIMPLE, SEP): \_\_\_\_\_
- Disability Income: \_\_\_\_\_
- Long-term Care: \_\_\_\_\_
- Other: \_\_\_\_\_

#### BUSINESS OWNED LIFE INSURANCE

Insured	Insurance Company	Type of Policy	Insurance Benefit	Cash Value Benefit	Annual Premium	Policy Loans

Total Life Insurance Benefits In-force \_\_\_\_\_

## PROTECTING YOUR FAMILY

### What would happen to your family if...

You couldn't work in your business? \_\_\_\_\_

When you retire, become disabled or die, what do you want to happen to your business interest? \_\_\_\_\_

When a partner/owner retires, dies, or becomes disabled, do you want to buy their interest? ☐ Yes ☐ No

• Do you feel you and your family are financially prepared if something happens to you? \_\_\_\_\_

• What amount of money would provide your family an adequate standard of living should something happen to you? \_\_\_\_\_

• In the event of your death, what percentage of your monthly income should be provided for your family's continuing income needs? \_\_\_\_\_

### CURRENT LIFE INSURANCE IN-FORCE

Owner (A/B) (Mark "A" if "Client A") (Mark "B" if "Client B")	Insurance Company	Type of Policy (Group, Term, UL, Whole Life, etc.)	Insurance Benefit	Cash Value Benefit	Annual Premium	Beneficiaries

**Total Life Insurance Benefits In-force** \_\_\_\_\_

• In the event of your death, would you like your children's college education to be partially or fully funded?

☐ Yes ☐ No

• What impact would being out of work due to an injury or illness have on your family's financial future? \_\_\_\_\_

**Percentage of income to replace:** Client A \_\_\_\_\_

Client B \_\_\_\_\_

CURRENT DISABILITY INCOME INSURANCE IN-FORCE						
Owner (A/B) (Mark "A" if "Client A") (Mark "B" if "Client B")	Insurance Company	Individual or Group Policy	Monthly Benefit	Elimination Period	Benefit Period	COLA Rate

### Critical Illness

Whom do you know that has had cancer, a heart attack, or a stroke? \_\_\_\_\_

Do you currently own a critical illness policy? If so, what is the coverage amount and the premium?

\_\_\_\_\_

### Retirement Planning

• What are your thoughts or concerns about your retirement? \_\_\_\_\_

\_\_\_\_\_

• Is there anything special you want to do in retirement? \_\_\_\_\_

\_\_\_\_\_

At what age do you plan to retire?

Client A \_\_\_\_\_ Client B \_\_\_\_\_

At what age will you begin to collect Social Security?

Client A \_\_\_\_\_ Client B \_\_\_\_\_

Are you currently saving for retirement?

☐ Yes ☐ No

PROFESSIONAL ADVISORS				
Advisor	Name	Address	Phone Number	Email
Attorney				
Accountant				
Banker				
Insurance Agent				
Financial Advisor				
Other _____				
Other _____				
Other _____				



NOTES

[illegible]



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# Understanding Business Succession

## Chapter 1: Introduction to Life Insurance in Business Succession Planning

This is the first in a series of articles which will discuss how life insurance can be used in business succession planning. Be on the lookout for additional articles in the future.

### **Historically, business succession planning has been a strong market for life insurance sales.**

A profitable business is like a goose that lays golden eggs. The owners potentially benefit financially each year in a number of ways, including receiving salaries, employee group benefits, possible access to qualified and non-qualified benefit programs, and potential dividend distributions. In addition, the value of their ownership interest may grow over time. If one owner leaves, the remaining owners usually have a strong financial interest in continuing the business. Wise owners adopt a written business succession plan to protect their interests.

### **Life insurance is well-suited to help fund the purchase of the interest of a departing owner.**

Since the death of an owner is usually an event which triggers a purchase obligation in a buy-sell agreement, life insurance death benefits may provide some or all of the funds needed to complete the purchase. If a triggering event occurs before an insured-owner's death, life insurance cash values could possibly provide some of the needed funds.

**Although using life insurance as part of a business succession plan often makes logical sense, closing the sale is seldom easy.** There are usually three concepts which the owners must buy into before the sale can be closed:

1. A binding obligation (usually under a written buy-sell agreement) needs to be in place; without a legal obligation, no one has to purchase the departing owner's business interest.
2. The value of the business needs to be established so the size of the purchase obligations can be measured.
3. The owners need to understand that funds need to be set aside in advance to fund these purchase obligations.

### **Owners need to agree on a number of issues before the life insurance sale can be closed.**

First, if there isn't an agreement already in place, they must see the need for a binding agreement. Second, they must agree on purchase price (or method for establishing the price) and terms for payment. Finally, they must agree to set aside funds so the agreement can be executed as planned. An agreement which is not backed up by money will have difficulty succeeding.

### **In addition to funding the buy-sell agreement, there is another important use for life insurance in business succession planning.**

That use is key person insurance. The unexpected death of an owner-employee can threaten the profitability of a business. When an owner-employee dies, some key clients may leave. Other owners may be forced to take over the work the deceased owner-employee was doing without any additional compensation. The business may need to hire a qualified replacement. Finding one can take many months and be costly. In addition it may take time for the replacement to get assimilated and up to speed. Key person life insurance has the potential to provide funds the business can use to help pay these costs and replace profits that may be lost as the result of an owner-employee's death.

### **Funding the purchase of a departing owner's interest and replacing profits which may be lost when an owner-employee dies unexpectedly are the bedrock objectives of business succession planning.**

During the course of this series we will share ideas and insights on selling life insurance to accomplish these objectives.

General

Need for Agreement

Valuation

Types of Arrangements

Life Insurance Funding

Advanced Considerations

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The **Voya™ Life Companies** have created a platform to help make Business Succession sales easier for you. To learn more, access the **Business Planning Microsite** at [www.VoyaBusinessPlanning.com](http://www.VoyaBusinessPlanning.com) or **Voya for Professionals** at [voyaprofessionals.com](http://voyaprofessionals.com) or try any of the following introductory materials:

➤ Buy-Sell Planning Producer Guide (#117671)

➤ Buy-Sell Planning Consumer Overview brochure (#117672)

➤ Key Person Life Insurance Coverage Producer Guide (#140184)

➤ Key Person Life Insurance Coverage Consumer brochure (#139985)

Look for the next chapter in the series which discusses the importance of having a written buy-sell agreement.

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For more information on business succession planning, contact your **Voya Life Companies' Representative** or call **Advanced Sales** at 866-464-7355, Option 4.

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# Business Valuation Producer Guide

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Valuing a business is an imprecise science and can vary greatly depending on the type of business and the reason for needing a valuation. Buying and/or selling a business is the most common reason for needing a valuation.

**However, buy-sell agreements among owners of a privately held business also have to provide for a valuation method in the event that their “buy” or “sell” provisions are triggered.**

Valuation is the process of arriving at what the IRS calls “fair market value.” In the valuation process a number of factors must be considered. These factors include:

- General and specific business and economic conditions
- Earnings
- Goodwill

Then, any appropriate discounts are applied to bring about a realistic valuation of the particular business interest. The IRS defines “fair market value” as the price at which property would change hands between a willing buyer and a willing seller where neither is under any compulsion to buy or sell, and both have reasonable knowledge of the relevant facts.

## A typical buy-sell agreement may provide for:

- An initial value, which is set forth in the written agreement.
- A valuation formula set forth in the agreement.
- A procedure for annual or periodic updating of the initial value, usually by agreement among the owners.
- An agreement to hire one or more appraisers at the time of the triggering event.
- Any other approach or combination of the above.

When the valuation formula approach is used, there is no limit to the number of ways a business can be valued or the formulas that can be used to determine the value. Some of the more common methods used to calculate value include:

### Asset/Book Value

Asset valuation is used when a business is asset intensive, such as a retail business or manufacturing company. This approach takes into account the following values, the sum of which determines the market value:

- Fair market value of fixed assets and equipment
- Leasehold improvements
- Owner benefit (seller's discretionary cash for one year)
- Inventory

### Capitalization of Income Valuation

Capitalization of income valuation is used with non-asset intensive businesses, such as service companies. This approach uses a great number of intangibles to reach a capitalization rate, which is then multiplied by the owner's discretionary cash to determine the market value of the business. Intangible factors include:

- Owner's reason for selling
- Length of time the company has been in business
- Length of time the current owner has owned the business
- Degree of risk
- Profitability
- Location
- Growth history
- Competition
- Entry barriers
- Future potential for the industry
- Customer base
- Technology

### Multiplier or Market Valuation

This approach establishes the value of a business by using an industry average sales figure as a multiplier. This industry average number is based on what comparable businesses have sold for recently. Trade associations or professional appraisers can be a source of the right multiplier for a specific industry.

# Business Valuation and the IRS

There are other potential valuation methods that may be appropriate depending on the type of business and other factors. It is important to keep in mind that although the valuation used by the parties to a buy-sell agreement may be binding on the parties to the agreement, the valuation will not be binding on the IRS. The IRS will be looking to see whether the valuation used accurately reflects fair market value at the time of transfer. For example, the IRS may take a position that the value of the business interest for purposes of estate valuation may be much different from the price actually paid for the interest under the buy-sell agreement.

The IRS has provided a list of the factors to be considered in arriving at the fair market value of a business. Revenue Ruling 59-60, lists the eight key factors that must be considered in evaluating the value of any business interest:

1. The nature of the business and its history of operations.
2. The general economic outlook and the condition and outlook for the specific industry in which the business is actively engaged.
3. The book value of the interests and the financial condition of the business.
4. The business' earning capacity, as reflected in both its earnings history and its prospects for expansion.
5. The ability of the business to pay dividends or otherwise distribute earnings.
6. The existence of good will or other intangible assets.
7. Comparable sales of interests in the business and the size of the block of stock or other interests to be valued.
8. The market price of stocks of publicly traded corporations engaged in the same, or a similar, line of business.

## What is Fair Market Value?

The parties to a buy-sell agreement need to be careful that the approach adopted for valuation purposes results in a true fair market value for the business interest. Some business owners feel confident that they know the value of their business. Others are more realistic and realize that when done properly, this is a complicated and challenging endeavor, and turn to the services of a CPA, a business valuation expert or a certified business appraiser to perform this difficult work. Individuals who specialize in such work frequently are members of the American Institute of Certified Public Accountants and are Accredited in Business Valuation (ABV). They may also be associated with and accredited by the American Society of Appraisers. Both of these organizations maintain websites where you can search for an accredited member in your community.

When selecting a professional appraiser, while fees are important, they shouldn't be the primary consideration in your choice of an appraiser.

Facts such as experience, training, background, longevity, independence, and reputation are also very important. Some questions that you might want to ask include:

- Do you perform business appraisals on a full time basis?
- Are you a member of the Business Valuation division of the American Society of Appraisers or have you been accredited in Business Valuation by the American Institute of Certified Public Accountants?
- Will you provide a list of references?
- Have you testified and had your conclusions upheld in court?
- How many valuations have you/your company performed? In how many industries?
- Have you performed valuations for any governmental agencies (IRS or DOL)?

If you elect not to use the services of a professional, you may want to review the information available on the IRS website relating to their Audit Techniques Guides for examiners for specific types of businesses. These guides are available to the public and are intended to train IRS examiners regarding business valuation issues, including issues unique to certain types of industries, business practices, industry terminology and other information that examiners will use when performing an IRS examination of a business valuation. You can find that information at [www.irs.gov/businesses/small](http://www.irs.gov/businesses/small).

# A Properly Substantiated Business Valuation is Critical

Buy-sell agreements typically call for the parties to agree on value or a mechanism by which value will be determined when the provisions of the agreement are triggered. Here are some key points to keep in mind:

- Agreements that are silent regarding valuation are not really agreements.
- Agreements that don't establish a clear process for setting a business' value will be difficult to implement.
- The process can be streamlined and uncertainties removed if the parties specifically agree, in advance, on the mechanism by which value will be determined and the qualifications/identification of a mutually acceptable professional appraiser.
- When related parties are involved, an independent appraiser is essential to establish the valuation formula or value.

Remember, the principle that underlies the valuation of a closely held business is the same principle that underlies the valuation of any investment: Businesses are valuable not because of what they have done but because of what they are capable of doing. The future expectation of the business' rate of return determines its real fair market value. This is an area where the value of professional advice may far outweigh its cost, especially when family members are defending the value of a business interest buy-out against a challenge by the Internal Revenue Service.



## Want to Hear More?

For top-notch sales support from leading industry professionals dedicated to helping you grow your life business, call **866-464-7355**.



Log in to Voya™ for Professionals at **voyaprofessionals.com**.

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The Voya Life Companies and their agents and representatives do not give tax or legal advice. This information is general in nature and not comprehensive, the applicable laws may change and the strategies suggested may not be suitable for everyone. Clients should seek advice from their tax and legal advisors regarding their individual situation.

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NATIONWIDE® BUSINESS SOLUTIONS GROUP

# Help them feel more confident their business can continue

## What business continuation strategy is available for your more risk averse clients?

Businesses with multiple owners need a strategy in place to ensure the company can go on in the event of an untimely death. But, many clients today are wary of taking on the market fluctuations associated with using variable products to fund traditional business continuation strategies. A buy/sell agreement using Future Executive UL offers a more predictable way for these clients to plan for the future of their business.

### How it works.

Using Future Executive UL policies in this strategy may be beneficial — especially for your more conservative clients. It's a universal life product so they don't have to worry as much about market fluctuations. And it offers clients the safety and predictability they're looking for with:

- A fixed interest rate that provides predictable income accumulation
- A guaranteed minimum interest rate
- No surrender charge
- Cash value enhancement to increase the cash surrender value in the early years
- Institutional pricing based on Nationwide's experience over 20 years in the corporate insurance market
- Preferred group underwriting — both Guaranteed Issue and Simplified Issue

**Cross-purchase agreement:** In a cross-purchase agreement, each business owner purchases a life insurance policy on each of the other owners. When an owner dies, the surviving owners use the death benefit proceeds to purchase the deceased owner's share of the business from his or her family.

**Stock redemption agreement:** For a stock redemption agreement, the business purchases a life insurance policy on each owner and names itself as the beneficiary and owner of the policies. When an owner dies, the company uses the death benefit proceeds to purchase the deceased owner's business interest.

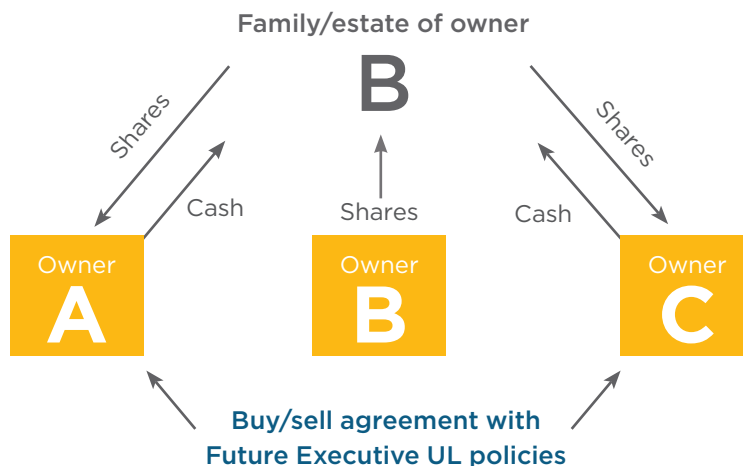
## Consider this example of a cross-purchase agreement.

Assume a small paint manufacturing company — valued at \$6 million — is owned by three brothers who don't currently have a business continuation strategy. Each brother owns a third of the company, and they all agree their spouses and kids aren't ready to run the business.

After the brothers met with their advisor, they all agreed to set up a cross-purchase agreement and fund it with Future Executive UL policies. Each of them would own two policies, one insuring each of his brothers, and name himself as the beneficiary.

*All the policies will have similar results, but this is how it might look at the death of the oldest brother, who is age 45.*

1. Shares from owner B go the estate
2. Cash from A and C go to B estate
3. Shares from B estate go to A and C



The company would pay an annual premium into each of the two policies insuring the 45-year-old brother. Each policy would have a \$1 million death benefit. When the oldest brother dies, the other two would together have the \$2 million they need to buy the deceased brother's share from his family. And the two surviving brothers would still own equal shares of the business.

All of the characters in this story are fictitious, and are meant to represent individuals in possible life situations. The information is designed to demonstrate a possible solution to a complex problem.

We're here to help — If you have any questions about setting up a buy/sell agreement using Future Executive UL, or if you have a specific case you'd like to discuss, please feel free to call today.



Name: [Name]

Contact information: [Business email]  
[Business address]  
[Business phone]



Nationwide®

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt a financial strategy or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Clients should work with their financial professional to discuss their specific situation.

All protections and guarantees are subject to the claims-paying ability of Nationwide.

Be sure to choose a strategy and product that are suitable for the long-term goals of both the business and its employees. Life insurance has fees and charges associated with it, which include costs of insurance and administration fees.

Federal income tax laws are complex and subject to change. Nationwide and its representatives do not give legal or tax advice. Please have your client consult with an attorney or tax advisor for answers to specific questions.

Products issued by Nationwide Life Insurance Company, Columbus, Ohio.

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SALES IDEA | Exit Planning

# One-Way Buy-Out Offers Exit Solution

## The challenge

For a business with only one owner, exit strategies upon death of the owner are limited. The owner could leave the business to his or her spouse, but the spouse may have neither the ability nor the inclination to run the business. The spouse could hire a manager, but that would increase expenses and reduce the income available to the spouse. Even if hiring a manager is a practical option, distributing income to an owner who is not also an employee is often costly from a tax perspective, depending on the type of entity.

The spouse could sell the business, but with the owner/manager gone, the value of a small business often declines rapidly. Even if the business value is stable, the spouse may not have the expertise to obtain the full value of the business in a sale.

## The solution

In many cases, a sale to a key employee is often the best choice. Using a split dollar funded life insurance policy to fund a one-way buy sell agreement between a sole owner and key employee can provide a very practical funding vehicle.

## Example

Ron Brown is the sole owner of Professional Management, a LLC that manages commercial real estate for other investors. Ron's CPA feels the business is worth \$1 million based on the income generated from the business. The business is very profitable with several hourly employees and one key employee, Floyd Epley. Ron is concerned that if he dies his wife does not have the ability to run the business. He also feels it would be difficult for his wife to sell the business for full value.

Ron could enter into a written, one-way buy-sell agreement in which Floyd would agree to buy Professional Management upon Ron's death. To fund the buy-out, Floyd would purchase a policy on Ron's life with a \$1 million face amount. The policy would be funded with a non-equity collateral assignment split dollar arrangement.



The arrangement is subject to the split dollar economic benefit taxation regime, so Floyd will be taxed only on the value of the current life insurance protection (economic benefit is calculated using Table 2001). Upon Ron's death, the business will receive a death benefit equal to the policy cash value, and the balance is paid to Floyd to fund his purchase of the company.

For a lifetime rollout, Professional Management receives an amount equal to the policy cash value, disregarding surrender charges. Alternatively, Floyd may transfer the policy itself to the company in exchange for a release of his obligation under the arrangement.

### Concerns

It is important to avoid inadvertently causing the policy proceeds to be included in Ron's estate. The policy proceeds could be included in Ron's estate if he is deemed to have "incidents of ownership" in the policy. As the sole shareholder of Professional Management, any incidents of ownership owned by the company could be attributed to Ron.

To avoid inclusion of the life proceeds in Ron's estate, Floyd would execute a restrictive collateral assignment in favor of the business that would restrict Professional Management's interest in the policy to its share of the cash value. Other assignee rights, such as the right to borrow against cash value or to terminate the arrangement, would be excluded as well. Such limitations should prevent inclusion of the proceeds in Ron's estate.

#### FOR MORE INFORMATION

Contact your Regional Vice President or the National Sales Desk at 800-654-4278.



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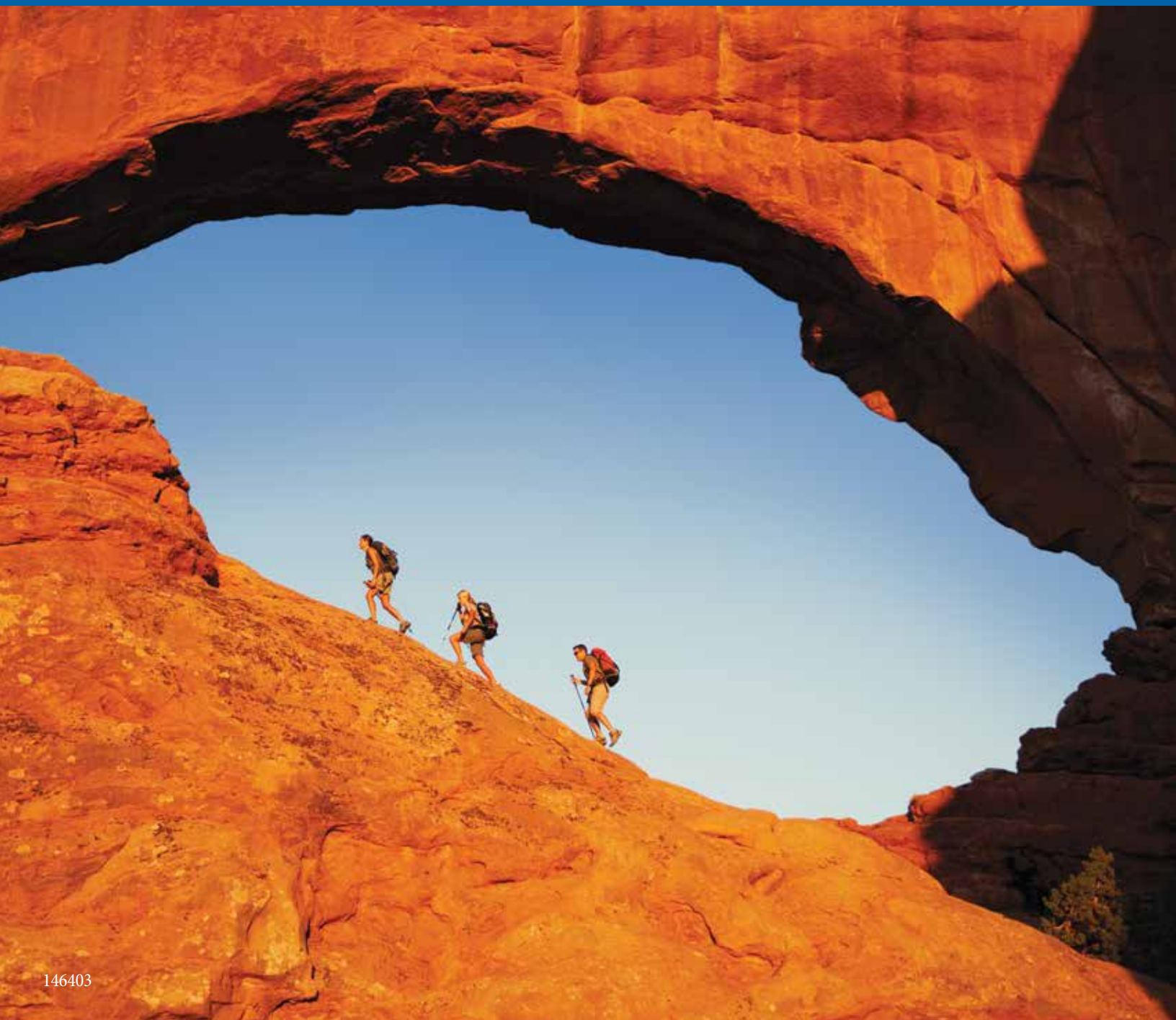
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# › Guiding Your Business Down the Right Path





Owning your own business can be one of the most satisfying experiences of your life. You can follow your dream, earn a good living, provide employment opportunities for others, and maybe even make a difference in the world. But owning a business also entails a lot of responsibilities.

With proper planning, taking care of the things that matter most to your business – building a strong foundation, preparing for the future and taking care of your employees – can help you and your business thrive.



**65% of business owners** say their business would be a liability in the event of their disability, retirement or death.

– *Small Business Focus Group Research Study, October 2014, Mutual of Omaha (available upon request)*



## BUILDING A STRONG FOUNDATION

One of the first things any business owner should consider is how to protect against events that may threaten the future of your business, beyond the basic property/casualty protection.

### › Controlling ownership

A buy-sell agreement is an agreement between owners that allows you or the business to buy out a co-owner's share based on a number of triggering events like retirement, death, bankruptcy, disability, divorce or selling the business to a third party. You can enter into a buy-sell agreement with your co-owners at any time, but it often makes sense to do so shortly after the business is formed and when new owners are brought in.

### › Protection from the loss of a key employee

Have you thought about what would happen if one of your key employees were to die unexpectedly? Would your business be able to continue without serious financial consequences? Coverage to protect your business against the loss of a key employee can help you navigate through a difficult time.

### › Protection against a disability

If you're disabled and can't work, business overhead protection can help keep your business afloat by providing benefits that generally help cover expenses like employee salaries, taxes, employee benefits, rent, mortgage, utilities and equipment.

### › Tax deductions

Don't forget to take advantage of tax deductions, which can help you have access to more capital you need to help grow your business. Things that business owners can claim as tax-deductible expenses include wages/compensation, office supplies, travel expenses, as well as some insurance premiums.



## Buy/Sell Agreements Using Life Insurance

A buy/sell agreement can help ensure your business remains intact and your family has financial security. There are several strategies that allow you to use life insurance to help fund a buy-sell agreement – ask your Mutual of Omaha agent about your options.

Here are the advantages of having a buy-sell agreement:

- It minimizes the possibility that the business may fall into the hands of outsiders
- It can help establish a value for the business and for estate tax purposes
- It creates a market for the business by providing the deceased owner's estate with a purchaser of the deceased's business interest
- It takes an otherwise illiquid asset and creates immediate liquidity for the deceased's heirs

## Key Employee Using Life Insurance

The loss of a key employee's skills can put your business at serious financial risk. Life insurance can play an important role in protecting your business if you lose a key employee.

Here's how it works:

- You, as the business owner, determine the key employees and their value (the value can be calculated by using a multiple of the employee's income or estimating the employee's contribution to the company's profit and the replacement cost of the employee)
- Once the key employees and their value are determined, the business purchases life insurance on each employee and names the business as the owner and beneficiary
- The business pays the policy premiums – and in the event of a key employee's death, the business receives the proceeds from the policy tax free\*

\*Employer Owned Life Insurance (EOLI) – Failure to satisfy IRC Section 101(j) notice and consent requirements, as well as the reporting requirements contained in the federal regulations, may result in the loss of the income tax-free treatment of the life insurance policy's death benefit.



**75% of business owners** don't have an accurate idea of what their business is worth.

- BizEquity, 2016



## PREPARING FOR THE FUTURE

You may want to stay in your business for 5, 10, 20 or more years from now. But if adversity strikes or if you decide to embark on a new adventure, do you have a plan in place to help protect your business partners and family members?

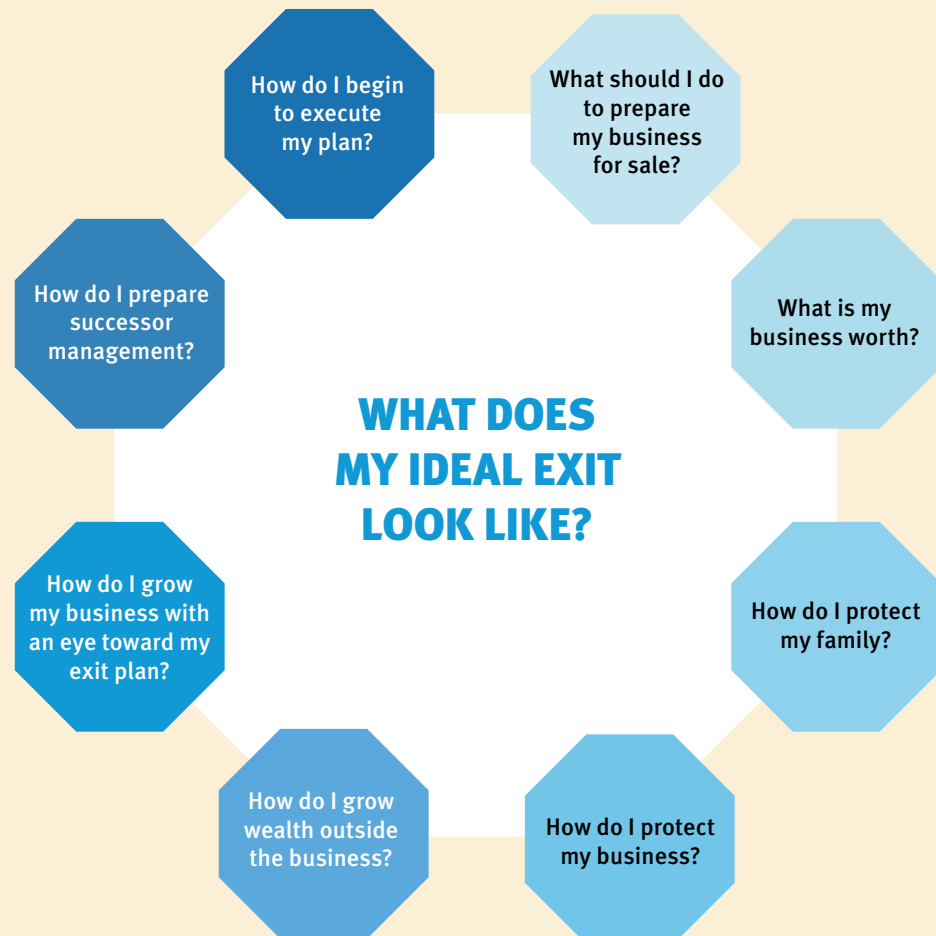
Here are some things to consider:

### **Who's going to run your business?**

If something happens to you, you might think your family would carry on the passion you put into your business. While this plan may work perfectly for some, in many cases, family members may not have the qualifications or desire to continue running the business and your co-owners may not welcome the idea of an unknown partner.

### **How might you exit your business?**

Even though you aren't thinking about this now, someday you may decide you'd like to retire, work fewer hours or sell the business. When that time comes, do you have an exit strategy? The graphic below shows many of the elements involved in a successful exit plan. Which is the most important to you?



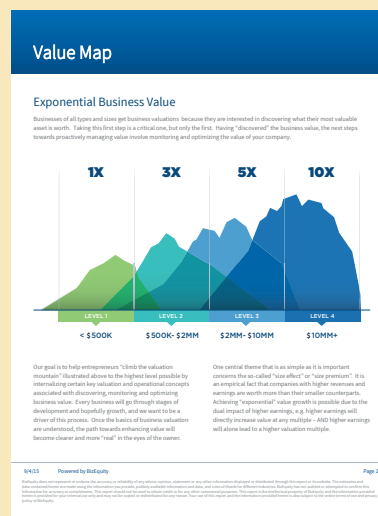
## What's your business worth?

Knowing the true value of your business is critical to proper business planning and achieving your personal goals. This is especially important when you want to retire or sell the business – and a business valuation will provide you with one of the details you need to plan the sale of your business.

A business valuation can help:

- Ensure that your business and family are properly protected
- Plan for your retirement, your estate and a buy/sell agreement, if necessary
- Create a succession plan for the future of your business
- Prepare for taxable events

Mutual of Omaha has partnered with BizEquity, a leader in the business valuation industry, to provide an informal business valuation at no cost to you. Ask your Mutual of Omaha agent for more information on how to get your business valuation.



## Passing on the Family Business

You've worked hard to build your business and you want to help ensure that it continues even after you are no longer around. The challenge is figuring out how to pass your business to the next generation – especially if some children participate in the family business and others don't.

One solution to help protect the business – and keep family harmony – is to purchase a life insurance policy. You can leave your business to the participating children and use the life insurance proceeds to provide an inheritance to other family members. Although the inheritances do not necessarily need to be the same, life insurance can help ensure they are more equitable.





Increasing the number of employees correlates with increased innovation, while increasing revenue does not.

- BizEquity, 2016



## TAKING CARE OF YOUR EMPLOYEES

As a business owner, you're often challenged to find ways to do something extra to retain valuable employees and attract new talent.

### Special Compensation Arrangements for Key Employees

You might not want to think what would happen to your business if one of your key employees left. Here are some benefit options that can help retain your key employees:

- **Executive bonus plans** – this offers a select group of employees important financial protection for themselves and their family, such as income replacement, college funding, estate liquidity and supplemental retirement
- **Deferred compensation plans** – these plans can help your employees save taxes now while building cash for their future

### Benefits for Employees

Many firms without benefits are unfamiliar with voluntary products and how those offerings can help retain and attract their employees.

If your employees need coverage to supplement or fill in the gaps of their current benefits package, you can offer certain products that may be able to be paid by the convenience of payroll deduction. The voluntary coverage you offer to your employees could include:

- **Life insurance** – even if you provide life insurance equal to the employee's base salary, an employee can purchase an additional policy to help supplement his/her existing coverage or that of his/her spouse
- **Disability income insurance** – as with life insurance, employers who are not in the position to fund a disability insurance program for their employees can offer a voluntary benefit, which is employee-paid. This allows workers to get coverage more easily than if they were to purchase an individual policy on their own outside of the workplace
- **Critical illness insurance** – this is a relatively new type of insurance that pays benefits when a person is diagnosed with cancer or has a heart attack; the idea is that the benefit can be used to help pay for costs not covered by health insurance like travel expenses, prescription drugs, etc.
- **Other coverage** – you may also consider offering health, dental and/or vision insurance

### Retirement Solution Options

There are a variety of retirement plans that can help you attract and retain quality employees. You can also benefit from finding a retirement planning solution that's cost effective and can help you reduce your business taxes. Some retirement planning solutions to consider are: Simplified Employee Pensions, SIMPLE IRAs, 401(k) plans and profit-sharing plans. Ask your Mutual of Omaha agent about your retirement solution options.

## Executive Bonus Plans Using Life Insurance

Executive bonus plans using life insurance can be a smart – and simple – way to recruit, retain and reward your key employees.

Here's how it works:

- The employer selects one or more employees
- The employee applies for a personal life insurance policy
- Once approved, the employer pays the life insurance premiums directly to the life insurance company. The employer gets to deduct the premium as an ordinary and reasonable business expense
- The premium amount is treated as taxable income to the employee; however, the employer has the option to provide the employee with an additional bonus amount to compensate for the increased taxes
- The employee retains full ownership rights to the policy, including the ability to name and change the beneficiary. The employee can also access the cash value at any time and for any reason
- In the event of the employee's death, the death benefit is paid income tax free to the employee's beneficiary\*

\*Death benefit proceeds from a life insurance policy are generally not included in the gross income of the taxpayer/beneficiary (Internal Revenue Code Section 101(a)(1)). There are certain exceptions to this general rule including policies that were transferred for valuable consideration (IRC §101(a)(2)). This information should not be construed as tax or legal advice. Consult with your tax or legal professional for details and guidelines specific to your situation.

## Deferred Compensation Using Life Insurance

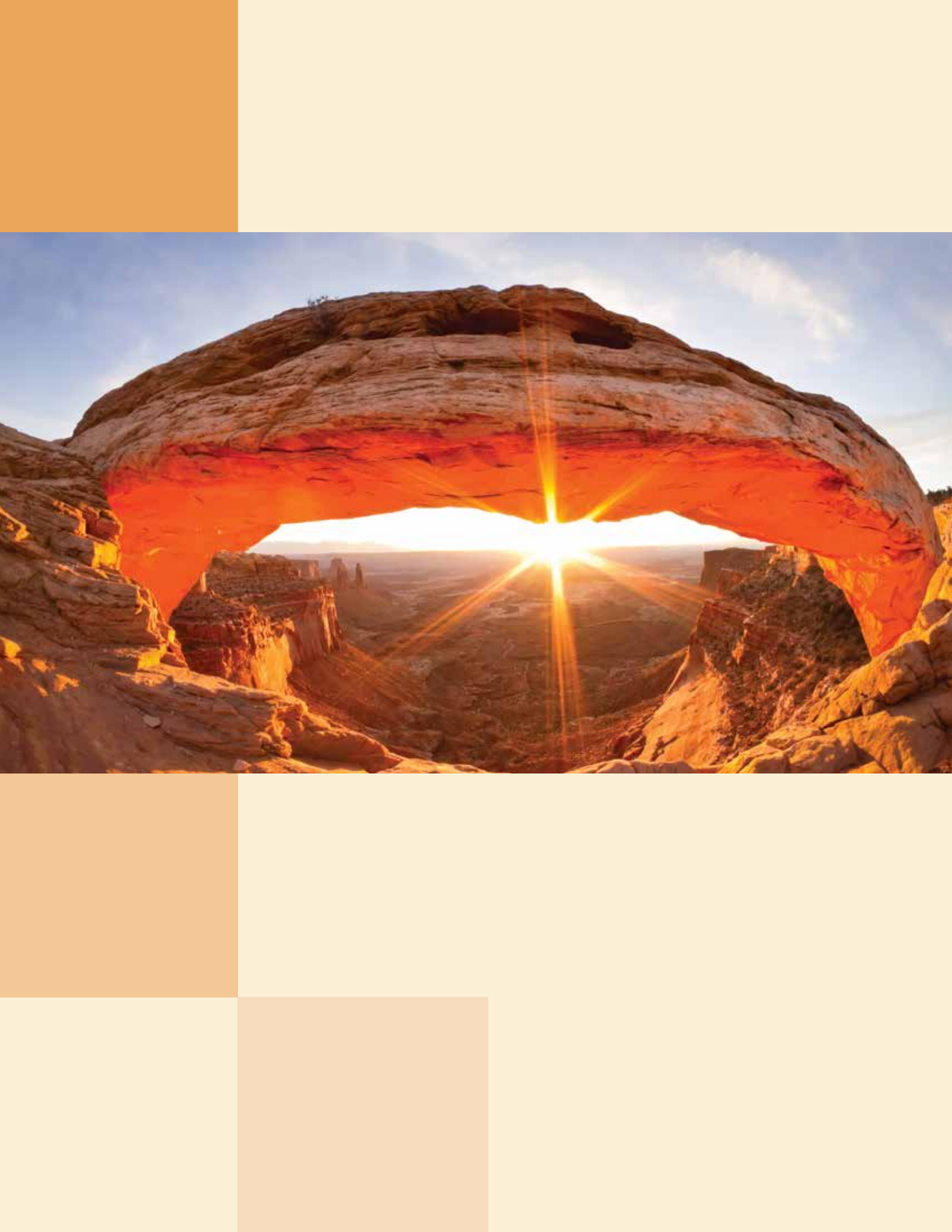
Deferred compensation plans are a great way to recruit, retain and reward your highly-compensated or key employees.

Here's how a deferred compensation plan using life insurance works:

- The employer and employee enter into a written agreement. The employer agrees to pay a supplemental retirement benefit if the employee stays with the employer until retirement
- The employer applies for and owns a life insurance policy on the employee, paying premiums out of after-tax income. To have funds to pay the promised benefits, the employer is also the beneficiary of the policy
- The employer uses the policy's cash values to help provide the promised benefits to the employee. At the employee's death, the employer receives the life insurance proceeds income tax free\*
- Payments the employer makes to the employee are deductible as a business expense because of the written agreement. They are taxable as income to the employee or the employee's beneficiary when received

\*Employer Owned Life Insurance (EOLI) – Failure to satisfy IRC Section 101(j) notice and consent requirements, as well as the reporting requirements contained in the federal regulations, may result in the loss of the income tax free treatment of the life insurance policy's death benefit.







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Business planning

Insurance-based  
income solution



What will your  
retirement look like?





# Add life to your business

*You've worked, planned, saved and invested, but you're still not sure you'll have enough money for the retirement you've envisioned. So what do you do?*

With an insurance-based income solution (IBIS), you may be able to protect your family's future through a death benefit while you save for retirement with the same product.

Be sure to choose a product that meets long-term life insurance needs, especially if personal situations change — for example, marriage, birth of a child or job promotion. Weigh objectives, time horizon and risk tolerance, as well as any associated costs, before investing. Market volatility can lead to the need for additional premium in the policy. Variable life insurance has fees and charges that include underlying fund expenses and costs that vary with sex, health, age and tobacco use. Riders that customize a policy to fit individual needs usually carry an additional charge.



# Helping you save for the retirement you've imagined

For many people, the savings offered by qualified plans alone may not provide enough funds to maintain their current standard of living in retirement.

An IBIS can provide a more rounded plan for the future.



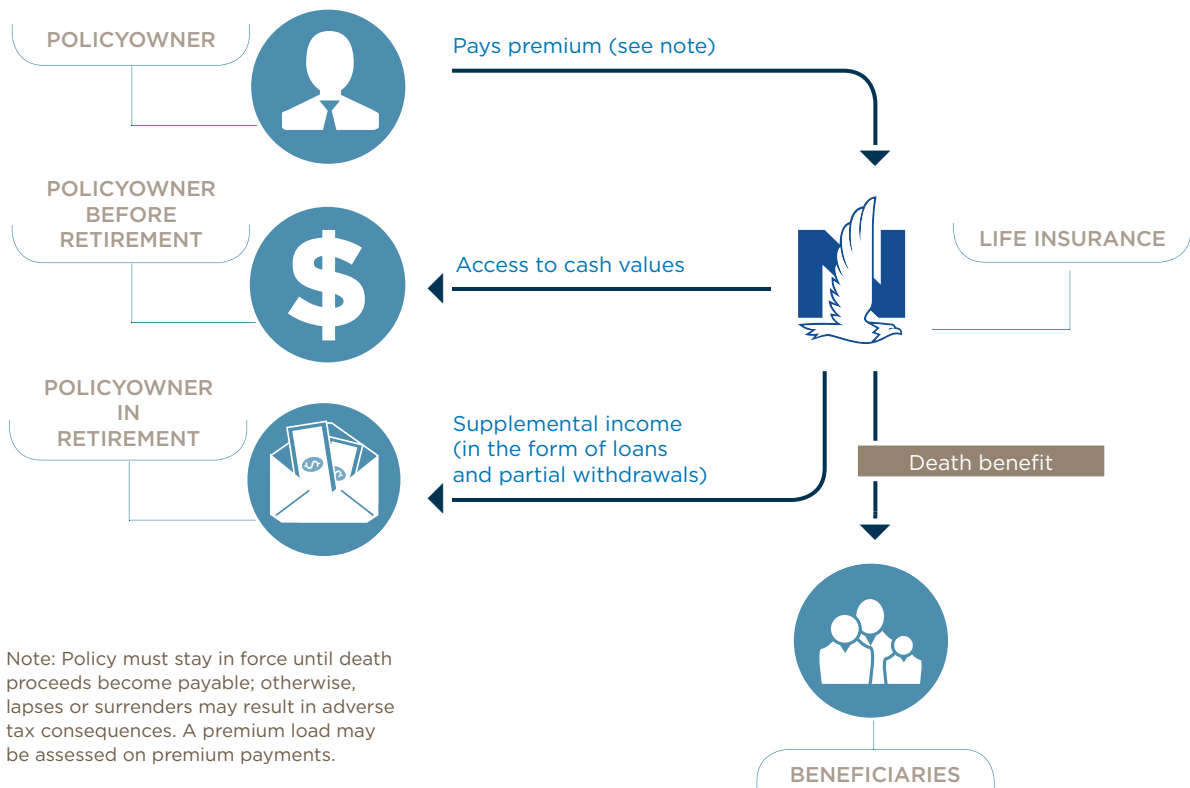


## How it works

An IBIS provides life insurance coverage to help protect your family, and the death benefit is paid federal income tax free (it may even be estate tax free, if properly planned). In addition to the life insurance coverage provided, the IBIS allows you to invest additional money in the contract where it has the potential to grow tax deferred.

An IBIS also offers the ability to take tax-free income from the policy — as long as the policy remains in force and is not a modified endowment contract (MEC). Though commonly used to help supplement retirement income, withdrawals and/or loans from the policy can be used for other purposes, too.

### Insurance-based income solution (IBIS)





## Benefits of an insurance-based income solution

### Tax advantages

- Withdrawals and loans from the policy can provide tax-free income, provided the policy is not a MEC
- Cash value grows on a tax-deferred basis, and if the policy is held until death, there is no income tax on the cash value or death benefit
- No pre-59½ withdrawal penalties
- No required minimum distributions at age 70½
- There are no contribution limits like qualified retirement plans
- There's no impact on existing qualified plans — you can have a qualified plan and an IBIS

### Potential for safety

- Death benefits provide basic insurance protection for you and your family
- The income tax-free death benefit transfers wealth to your beneficiaries, and if properly structured, may also be excluded from your taxable estate

### Flexibility

- A variety of optional features and riders help you personalize the policy even more; these are available at an additional cost, and not every rider or option is available in every state
- One premium covers both your life insurance protection and supplemental income needs
- Some products offer the ability to make investment choices through an assortment of investment options, allowing you to be as aggressive or conservative as you wish

### Control

- You choose the amount of insurance you want within qualifying limits
- You choose the amount of premium you will pay and the frequency and timing of the payments
- You choose when to make withdrawals and how much they will be

Note: Please make sure to review this entire brochure prior to making a decision.





## *Meet Paul and Vivian*

All of the characters are fictitious, meant to represent typical individuals in typical business situations. The example is designed to demonstrate one possible solution to a complex problem. You should work carefully with your investment professional to determine the solution that best meets your specific needs and objectives.



### *Their story*

Paul and Vivian, both in their early 40s, are an active and successful couple with two children. They enjoy the kind of success that brings with it family vacations and a nice home. They have a vision that they're working toward for their retirement, but they're not completely sure how to get there.

Paul and Vivian work together in their own law practice. Every year they contribute the maximum amount allowed to their qualified retirement plan.

They've done well with their current retirement planning, but they need to save more to maintain their current lifestyle. More importantly, they need to protect their children should something happen to either one, or both, of them. Perplexed about how to reach both of these goals, they call Bill, their investment professional.

### *Their strategy*

Because they need life insurance, Bill tells them about an insurance-based income solution (IBIS) that uses a life insurance policy from Nationwide. This strategy offers both the death benefit protection they need and the opportunity to accumulate supplemental income for later in life.

With an IBIS, Paul and Vivian feel in control knowing they have protected their family from the unexpected AND planned for retirement.



Call your investment professional today  
for more information on insurance-based  
income solutions, as well as these other  
business-planning strategies

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## A few things you should keep in mind

- This strategy does not guarantee returns or insulate the policyowner from losses, including loss of principal
- The death benefit and any guarantees are subject to the claims-paying ability of the issuing insurance company
- Nationwide and its representatives do not give legal or tax advice; you should consult your legal or tax advisor for answers to specific tax questions
- Loans and partial withdrawals will reduce the death benefits payable to beneficiaries
- Surrender charges vary by issue age, sex, underwriting rate class and product; these charges decline over time, so please see the prospectus for details

- Buy/sell agreements
- Executive bonus plans and restrictive executive bonus arrangements (REBA)
- Key person insurance
- Nonqualified deferred compensation plans
- Split dollar plans



**Nationwide®**

- Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution
- Not insured by any federal government agency • May lose value

Throughout this brochure, we discuss access to money via loans and partial withdrawals. This assumes the contract qualifies as life insurance under section 7702 of the Internal Revenue Code (IRC) and is not a modified endowment contract (MEC) under section 7702A. As long as the contract meets non-MEC definitions under section 7702A, most distributions are taxed on a first-in/first-out basis. Loans and partial withdrawals from a MEC will generally be taxable, and if taken prior to age 59½, may be subject to a 10% tax penalty.

All individuals selling this product must be licensed insurance agents and registered representatives.

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**Nationwide®**  
is on your side

Business planning

Key person insurance



Who is your most  
valuable employee?





# Add life to your business

Every company has that one person — the star, if you will — who really drives profitability. Your star could be an amazing sales person or the brains behind the whole operation.

*But how would your company adjust if you lost your star talent? Key person insurance can help make that transition easier.*

Be sure to choose a strategy and product that are suitable for the long-term goals of both the business and its employees. Weigh objectives, time horizon and risk tolerance, as well as any associated costs, before investing. Market volatility can lead to the need for additional premium in the policy. Variable life insurance has fees and charges that include costs of insurance, underlying fund expenses and administration fees. Investing involves risk, including possible loss of principal.



# Protect the people who are key to your success

Without key people, the most wonderful concepts, the finest products, the greatest ideas, will never see the light of day. The loss of a key person can cripple a company, but a key person insurance plan can help you protect your business against this loss.



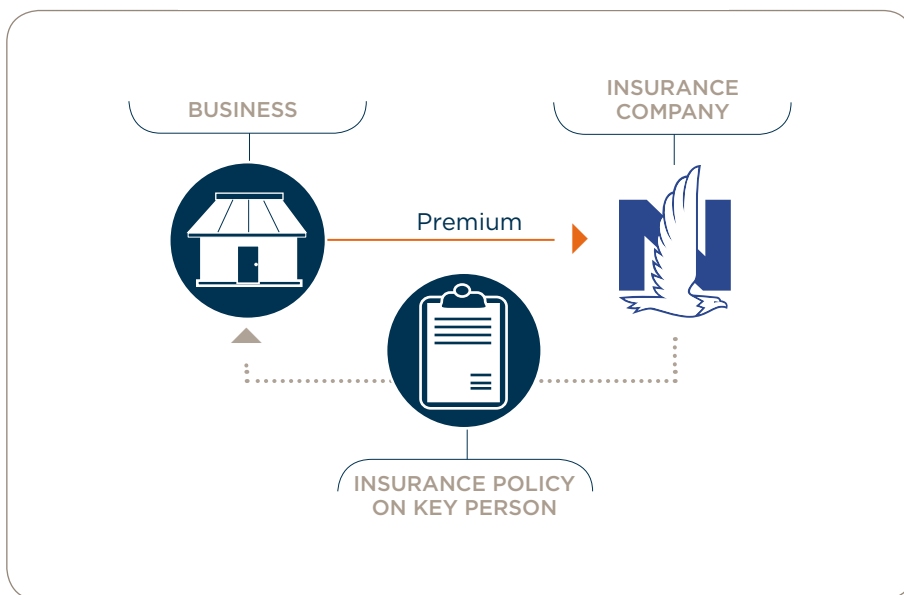


## How it works

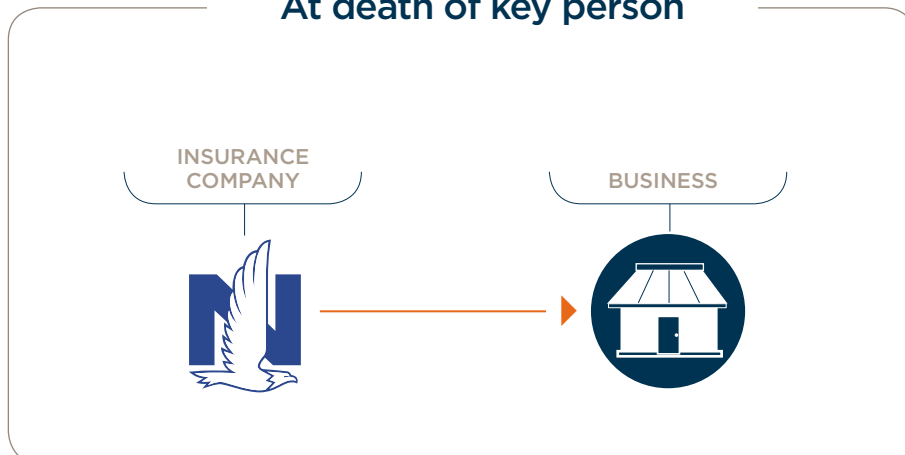
Key person insurance can be helpful in protecting against the loss of an owner, as well as key nonowner employees. With this plan, the business purchases life insurance on the key employee and pays the

premiums. In the event of the key employee's death, the business receives the policy's death benefit to help recover lost income or to help recruit and train a replacement.

### During lifetime of key person



### At death of key person





- Tax-free policy proceeds cover financial losses that may occur at the death of a key person
- Assurance of business continuity for other employees, customers and creditors
- Coverage is a business asset that enhances your business' creditworthiness for commercial borrowing
- The key person's value to your business is affirmed, if needed, strengthening the existing relationship and aiding in retention
- The policy's cash value may be available to your business through a withdrawal or loan if needed for business opportunities or retirement benefits





## *Meet Mike and Jim*

All of the characters are fictitious, meant to represent typical individuals in typical business situations. The following information is designed to demonstrate one possible solution to a complex problem. You should work carefully with your investment professional to determine the solution that best meets your specific needs and objectives.



### ***Their story***

Mike and Jim founded Atlantic Construction 20 years ago. When the company first started out, it consisted of the two of them and a couple of other guys who worked for them as needed. Business grew over the next 10 years, thanks to word-of-mouth referrals from satisfied customers. So, what started with Mike, Jim and a few carpenters is now a large-scale operation with approximately 500 employees throughout North Carolina, South Carolina, Georgia and Florida. At some point, they would even like to take the operation west.

Atlantic Construction has continued to grow, despite a lagging economy. And now the senior leadership team is concerned about what would happen to the company if anything happened to Mike or Jim. If one of them were to become ill or prematurely pass away, it would negatively impact the financial stability of the company. Although the senior leadership team has the confidence and know-how to maintain the company, they feel someone would need to be recruited to take over Mike and Jim's roles.

So, Mike and Jim schedule an appointment with a financial advisor, Sarah, to see if there is anything they can do now to alleviate some of these concerns for the future well-being of the company.

### ***Their strategy***

After reviewing their concerns, Sarah recommends a key person insurance plan, which is commonly used to protect the viability of a business. She explains that both Mike and Jim would purchase a life insurance policy and name Atlantic Construction as the beneficiary. When each partner passes away, the proceeds from the policy could help keep the business going by replacing income that would be lost and provide funds to recruit and train their replacements.

After signing the life insurance application and other paperwork, Mike and Jim took the required medical tests, and their applications were approved. When Sarah delivered the policy, they felt confident that Atlantic Construction would be able to continue on without them.



Call your investment professional today for more information on key person insurance plans, as well as any of these other business planning options:

## A couple of things you should keep in mind:

- This strategy does not guarantee returns or insulate the policyowner from losses
- The death benefit and any guarantees are subject to the claims-paying ability of the issuing insurance company
- Nationwide and its representatives do not give legal or tax advice; you should consult your legal or tax advisor for answers to specific tax questions
- Loans and partial withdrawals will reduce the death benefits payable to beneficiaries, and withdrawals above the available free amount will incur surrender charges
- Surrender charges vary by issue age, sex, underwriting rate class and product; these charges decline over time, so please see the prospectus for details
- If key person life insurance coverage sounds right for your business, be aware that premiums must be paid with after-tax dollars; also consider the opportunity cost since money allocated toward premium cannot be used elsewhere in the business; your investment professional may be able to help you determine if the value of the key person coverage could be diminished due to accounting or tax rules

- Buy/sell arrangements
- Executive bonus plans and restrictive executive bonus arrangements (REBA)
- Insurance-based retirement plans
- Nonqualified deferred compensation plans
- Split dollar plans
- Supplemental executive retirement plans (SERP)



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## I N S U R A N C E

*Providing All the Tools for Your Success<sup>sm</sup>*

## Pinney Insurance

Founded in 1972 as a Transamerica branch office and later incorporated as Pinney Insurance Center, Inc., we are headquartered in our own building in Roseville, California. We provide a small local agency feel with the power of a major national firm.



Pinney has expanded into a national distributor with thousands of contracted agents and offices in California, Illinois, Maryland, North Carolina, Oklahoma, Pennsylvania, Texas, Washington, and Mississippi. Pinney represents over 100 life, annuity, disability, and long-term care companies with the intent of providing our clients & partners with the best possible product solutions at the lowest possible costs. Email [Brokerage Sales Support](#) or contact one of our Brokerage Directors today at 800-823-4852.

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