

IT'S YOUR LIFE

Life Insurance Can and Should Fit into Your Financial Plans

Life insurance is something that you, as a business owner, frequently hear about. Everyone says you should have it, but has anyone ever explained why or what it can do for you? Do you really need it? No, you don't—unless you want to help provide some financial security for your family and business.

A very versatile tool, life insurance can be used in a variety of ways to help meet both personal and business planning needs.

- **Provide for survivor income needs.** Life insurance proceeds can help meet a family's ongoing income needs after the death of a breadwinner. These funds can allow a stay-at-home parent to continue to do so, or help with a transition back into the workforce. They can also help the family maintain their current lifestyle, pay off the mortgage, or even help fund college educations.
- **Estate equalization.** If you want to pass specific assets to certain heirs (for example, your business to the child currently working for the company) and still treat other heirs fairly, life insurance proceeds can be used to provide inheritances of similar value to everyone.
- **Pay estate taxes.** With a current estate tax exclusion amount of \$5,340,000 (\$10,680,000 for married couples), most individuals will not be subject to estate taxes. However, for those whose assets exceed the exclusion amount, a 40% federal estate tax will be due within nine months of the date of death. Additionally, 16 states have a state level estate tax that may apply, even if the federal tax doesn't. Life insurance can be a great way to ensure the funds are available to pay these taxes without having to liquidate assets.
- **Lifetime access to funds when needed.** Permanent life insurance policies have an additional benefit—a cash value that can be accessed by the policy owner during the insured's lifetime. Taken as loans or withdrawals, these funds can be used for any purpose. Keep in mind that surrender charges may apply and the policy growth and/or death benefit can be affected.
- **Fund buy-sell agreements.** As a business owner, you probably understand the importance of having a business succession plan. Yet, even the best plans can be derailed if the money to implement a buy-sell agreement is not there when needed. Life insurance proceeds are available almost immediately after the death of the insured owner, and the owner's family can receive the purchase price for the business interest upfront, avoiding the need for periodic payments over an extended period of time.
- **Protect against the loss of a key person.** Whether it's an owner or a valuable employee with specialized skills, the loss of a key person can be crushing to a business and could jeopardize its continued success. The time and costs associated with finding, recruiting, and training someone new can be immense. A life insurance policy owned by and payable to the business can protect against financial losses that may result from the death of a key employee.
- **Retain employees with a special benefit.** Life insurance can also play a role in employee retention by serving as the basis for a specialized benefit plan for select employees. Whether it's owned by the business and the cash value is used to provide periodic bonuses under a private bonus plan, or owned personally by the employee and paid for through taxable bonuses from the company under an executive bonus plan, life insurance can be a cost effective way to provide a unique benefit to your most valuable employees.

The cost of life insurance coverage is generally based on age, health, and lifestyle, and may vary significantly from one individual to the next. It will also vary depending on the size and type of policy.

Now that you have a few things to think about, the next step is to talk to your insurance provider to learn how life insurance can benefit both your family and your business throughout your lifetime and even after you're gone.◇

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