KEY PERSON REPLACEMENT
BUSINESS PLANNING CASE STUDY

Protect Business Value from the Unexpected

Help your clients safeguard their business against the financial impact of losing a key employee or owner. **Key person life insurance** provides liquidity to stabilize operations, protect revenue, and support continuity during a critical transition.

How It Works

- Business pays the premium and owns the policy on the key employee
- The business receives the death benefit, generally income-tax fee. [1]
- Proceeds help offset:
  - Lost Revenue
  - Recruitment and training costs
  - Operation disruption

Case Study: Revenue at Risk

Client: Mark, Business Owner
Key Employee: Renee, Top Salesperson

- Renee generates **35% of total annual income**
- Her loss would create a **significant revenue gap and operational disruption**

Key Risk: Without a plan the business may struggle to maintain cash flow and replace critical talent.

Financial Impact Snapshot

Lost Revenue → Death Benefit → Financial Protection

- 35% revenue exposure
- $700,000 tax-efficient liquidity
- Funds hiring, training, and business continuity

Advisor Tip

Use this key personal calculator to demonstrate coverage needs and present a more complete protection strategy, including key person disability coverage.

The Solution

Mark works with a financial professional to implement a **key person protection strategy**.

- **$700,000 death benefit**: Based on business size, Renee's annual income of $100,000, and estimated replacement costs.
- **20-Year Term**: Cost-effective coverage aligned with expected employment duration.

[1] If the requirements of the Internal Revenue Code Section 101(j) are not met, death proceeds from employer-owned life insurance contracts may be taxable as ordinary income in excess of cost basis.