

FOR EMPLOYERS

Business Protection

Key Employee Proposal

Presented to:

Kramerica, Inc.

Presented by:

Principal Financial Group

(800) 654-4278



Protecting Your Business Starts with Key Employee Life Insurance

Key employee plans cover the life of an employee who is critical to the success and profitability of your business. These plans provide a simple, efficient way to help protect your business.

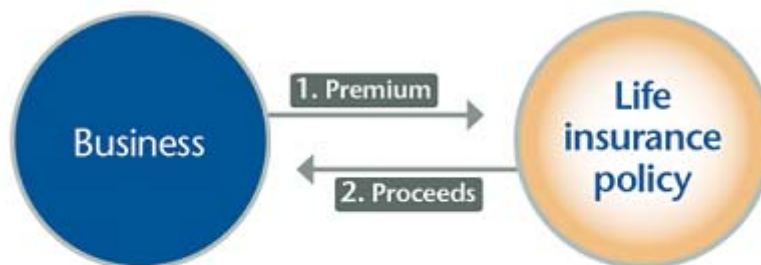
The challenge

Businesses can suffer from a key employee's or owner's death in several ways: loss of skill and experience; disruption of revenue stream; and increased expenses; all of which can negatively impact profit.

The solution

A key employee life insurance plan from the Principal Financial Group® can address these needs by providing funds necessary to address additional expenses and replacement costs of a key employee.

How it works



1. The business is the owner and beneficiary, and pays the premium on a life insurance policy insuring the key employee.
2. Upon the death of the key employee, the business receives death proceeds, generally income-tax free.*

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

How much coverage do I need?

The table on page 3 projects a range of estimated key employee coverage needs based on a variety of protection considerations unique to your situation. (Note: The multiple of salary factor is derived from the emphasis you place on the key person's value to your business defined by the level of difficulty you perceive you may have in replacing that individual.)

Estimated Key Employee Protection Needs

Elaine Benes

COO

| | Scenario A Base-Level Coverage | Scenario B Mid-Level Coverage | Scenario C High-Level Coverage |
|---|---|---|---|
| Size of Organization: Number of Key Employees: Difficulty to Replace: | 51+ Employees 11+ Key Employees Very Difficult to Replace | 51+ Employees 11+ Key Employees Very Difficult to Replace | 51+ Employees 11+ Key Employees Very Difficult to Replace |
| BASE PROTECTION | | | |
| Total Compensation: Multiple by Factor: Base Protection Needs: | \$498,000 1.5 \$747,000 | \$498,000 3.0 \$1,494,000 | \$498,000 5.0 \$2,490,000 |
| BUY-SELL NEEDS | | | |
| Estimated Business Value: Percentage Owned: Buy-Sell Needs: | \$15,000,000 10% \$1,500,000 | \$15,000,000 10% \$1,500,000 | \$15,000,000 10% \$1,500,000 |
| OTHER NEEDS | | | |
| Long-Term Business Debt: Debt Coverage Factor: Debt Coverage Needs: Deferred Comp Liabilities: Total Other Needs: | \$2,000,000 10% \$200,000 \$0 \$200,000 | \$2,000,000 10% \$200,000 \$0 \$200,000 | \$2,000,000 10% \$200,000 \$0 \$200,000 |
| RANGE OF COVERAGE: | \$2,447,000 | \$3,194,000 | \$4,190,000 |

This key employee proposal is intended to provide a range of coverage for your consideration based on several factors.

The client and producer understand that amounts applied for are subject to underwriting approval.

Scenario A (1 – 5 times salary) provides proposed coverage based on a projected base-level multiple of salary.

Scenario B (2 – 7.5 times salary) provides proposed coverage based on a projected mid-level multiple of salary.

Scenario C (3 – 10 times salary) provides proposed coverage based on a projected high-level multiple of salary.

Any coverage needed for buy-sell funding and other debt protection and/or benefits financing will be added to the Base Protection.

* Factor is determined by the size of the organization, number of key employees, and difficulty to replace.

Key employee retention

If retaining your key employees is also a concern, consider the benefits of a retention bonus plan funded with cash value life insurance. Retention bonus plans allow flexibility in plan design as well as funding to keep your most valued employees protected under multiple contingencies.

Advantages and considerations of life insurance funding

- Policy may also be used for funding a buy-sell agreement or executive benefit program.
- Provides cost-effective liquidity, immediately, upon the death of a key employee/owner.
- Any policy cash values are available to the business and will appear as an asset on the balance sheet.
- May allow the business to use the death proceeds to recover all or part of the cost associated with an executive benefit program.
- Provides a way to fund for the loss of a key employee through level expenditures.
- Consider the impact life insurance policy holdings may have on the business's cash flow and liquidity.

FOR MORE INFORMATION

Principal Financial Group
(800) 654-4278
Advisor@Principal.com



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Not FDIC or NCUA insured

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

Key Person Term Coverage

The low-cost, limited duration of term insurance may be a great fit for your key person protection needs. Term insurance from The Principal® provides protection for durations including 10, 15, 20 and 30 years. You can also use our TeleApp underwriting process to get your key person protection in place quickly and efficiently.

Outlined below are the projected premium costs for the base-, mid- and high-level coverage options in your key person proposal under our 10-, 15-, 20- and 30-year term products.

Key Person Term Insurance Coverage for
Elaine Benes
Age 49
Female, Preferred, Non-Tobacco

| Scenario | Death Benefit | Annual Premium | | | |
|----------|---------------|----------------|---------|---------|---------|
| | | 10-Year | 15-Year | 20-Year | 30-Year |
| A | \$2,447,000 | \$2,107 | \$2,644 | \$3,415 | \$5,851 |
| B | \$3,194,000 | \$2,727 | \$3,429 | \$4,435 | \$7,614 |
| C | \$4,190,000 | \$3,555 | \$4,475 | \$5,794 | \$9,965 |

Rates provided are an estimate and are not guaranteed; state variations and restrictions may apply that are not represented.



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