

# IT'S YOUR LIFE

## How 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 is that really true? Has anyone ever explained why you need it or what it can do for you? September is Life Insurance Awareness Month — a perfect opportunity to take a closer look at this versatile tool, and how it can be used to help meet personal and business-planning needs.

### Personal Uses

- **Survivor income** — Proceeds can help meet a family's ongoing income needs after the death of a provider. These funds help the family maintain their lifestyle, pay off the mortgage, or help fund college educations.
- **Estate taxes and final expenses.** With a current estate tax exclusion amount of \$11.2 million per person, most individuals will not be subject to federal estate taxes. However, for those whose assets exceed the exclusion amount, a 40 percent federal estate tax will be due within nine months of the date of death. Additionally, 10 states impose an estate tax that may apply, even if the federal tax doesn't. Expenses, such as final medical bills, funeral costs, and legal fees will also be due shortly after death. Life insurance can be a great way to ensure the funds are available to pay taxes and expenses without having to liquidate assets.
- **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 help to provide inheritances of similar value to everyone.
- **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 his or her 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.

### Business Uses

- **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. The owner's family can receive the purchase price for the business interest up front, which can help avoid the need for payments over an extended period of time.
- **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 help protect against financial losses that may result from the death of a key employee.
- **Employees with special benefits.** 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. You can watch some true stories about life insurance at [LifeHappens.com](http://LifeHappens.com). Talk to your marketing representative for more information about how life insurance might benefit you, your family, and your business.

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