



EXECUTIVE BENEFITS & BUSINESS PLANNING

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PRESENTERS



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DISCLOSURE

- This presentation is meant to be for educational purposes only and is not all encompassing of business planning.
- E4 Insurance Services, Steve Walker, and Brady Serold do not give legal or tax advice. Please consult your legal and tax professionals for your individual situation

AGENDA

- 4 Pillars of Planning
- Buy-Sell
- Key Person
- Executive Benefits
- Q&A



CALL TO ACTION

- If you would like to discuss any of the topics covered during the webinar today, please reach out to your North Risk Partners Risk Advisor.

4 PILLARS OF PLANNING



4 PILLARS

- Protect income.
- Protect retirement.
- Provide liquidity.
- Develop reward and retention strategies to help business owners recruit and retain the key contributors to their business.

PROTECT INCOME AND RETIREMENT

Protect Income

- Personal Paycheck
 - Life Insurance
 - Disability Insurance
- Business Paycheck
 - Business Overhead Expense
 - Key Person Insurance

Protect Retirement

- Safe accumulation products
- Guaranteed lifetime income
- What if you need long-term care?

BUSINESS OVERHEAD EXPENSE

- A TAX DEDUCTIBLE way that key fixed business expenses can be reimbursed in the event you were sick or hurt and couldn't work.
 - 30, 60, or 90 day elimination periods
 - 12, 18, or 24 month benefit periods
 - Up to \$50,000 per month
 - Can include salary replacement

PROVIDE LIQUIDITY

Personal Liquidity Needs

- Estate Planning
- Farm Succession

Business Liquidity Needs

- Buy-Sell Triggered
- Key Person Replacement
- Deferred Compensation

REWARD & RETENTION STRATEGIES

- It is easy to recruit a top employee if compensation is the only variable.
- Providing Asymmetrical Benefits for your companies
Asymmetrical Contributors.
- Executive Benefits can include
 - Executive Carveout
 - Additional life, DI, or LTC insurance
 - Deferred Compensation

BUY-SELL AGREEMENT



WHAT IS A BUY-SELL AGREEMENT

- Controls/restricts the transfer of business interests.
- Provide for orderly succession of a business by restricting ownership and management.
- Three main parts:
 - Triggering Events
 - Valuation
 - Terms of Payment

TRIGGERING EVENTS

- Death
- Disability
- Other Lifetime Transfers
 - Bankruptcy
 - Divorce
 - Creditors
 - Conviction of crime
 - Violation of morals clause
- Termination of employment
- Upon triggering event... who can buy the interest?

VALUATION METHODS

- Agreement of parties
- Fixed price
- Formula price
- Appraisal
- Shotgun

TERMS OF PAYMENT

- Lump Sum
 - 100% due after triggering event
- Installment Method
- Combination of the above two

- Cash from the business
 - Dollar for Dollar + Lost Opportunity Cost
- Financing
 - Dollar for Dollar + Interest
- Insurance
 - Buyout, key-person, cash flow

KEY PERSON INSURANCE



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KEY PERSON INSURANCE

- Does your business have employees that are crucial to the success of your business?
 - Sales/Revenue
 - Specialized skillset
- What would happen if they couldn't come to work tomorrow?
 - Premature death
 - Too sick/hurt and cannot work
- Financially - what are the costs of losing a key person?
 - Redistribution of duties
 - Lower net revenue
 - Recruit and Replace

UNDERWRITING ADVANTAGES

- Discount
 - Typically starts at 3 or more lives from same company
- Simplified Underwriting
 - Less qualifying questions
- Guaranteed Issue
 - Typically starts at 5 lives for disability income products
 - Usually a higher number of lives needed for life insurance products (10-25 lives depending on insurance carrier)
 - Employer paid and Voluntary options

EXECUTIVE BENEFITS



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EXECUTIVE BENEFITS

- What are you doing OVER AND ABOVE compensation and group benefits for your key people to reward, retain, and recruit?
- If you fertilize your yard, your top people won't go looking for greener grass.



CASE STUDY - INCOME PROTECTION

- Company has 13 partners
 - Incomes range from \$350,000 - \$1,200,000
- Group long-term disability insurance not sufficiently protecting partners income
 - 60% of income protected
 - MONTHLY CAP of \$15,000
- **Goal:** Provide partners with excess income protection to more properly secure their biggest asset
- **Solution:** GSI Disability Income for all partners
 - Up to an additional \$17,500 per month benefit for each partner
 - Cost is 0.6% of partners payroll

CASE STUDY - LIFE INSURANCE

- Company has over 500 employees
 - 125 the company would consider “key” by title and skills
- Group life insurance not sufficiently protecting their families
 - \$50,000 for each employee
- **Goal:** Provide key people with additional life insurance to properly protect their loved ones (employee owned)
- **Solution:** GI Term Life for key people
 - 3x Salary (up to max of \$5mil)
 - Cost is 0.44% of total payroll

**ANY
QUESTIONS?**



QUESTIONS AFTER THE WEBINAR

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