Life Insurance Uses for Business

As a business owner, you may think of life insurance as an important offering in a total employee benefits package, which may help you attract and retain talented employees. But life insurance can do so much more, from helping to protect your company financially when a key employee dies to helping to fund the sale or transfer of your business. Take a look at some business uses of life insurance:

Key Person Life
Imagine what the loss of a co-owner who was the face of your company means to your business financially. Or picture the death of a key salesperson or researcher, who made outsized contributions to your business, and the impact on your company's sales receipts and profits. Key person life insurance is a cost-effective way to defray all or a portion of the resulting financial loss after the death of a vital employee.

Buy-Sell Funding
Life insurance is also a cost-effective way to fund a buy-sell agreement that provides for the orderly transition of the business in the event of disability or death.

There are different ways to use life insurance to accomplish this transfer. The business can purchase policies on the lives of the business owner(s), with the business as beneficiary. Or if the company has a cross-purchase agreement in place, where each owner agrees to purchase the shares if another owner dies or becomes disabled, each owner can purchase and become the beneficiary of life insurance policies on the other owners.

Employee Retention Tool
Permanent life insurance is one way companies can use "golden handcuffs," a way to attract and contractually retain key employees for at least a specified timeframe by offering a financial incentive.

Several options are available, namely: executive bonus plans, split dollar plans and nonqualified deferred compensation. The plans differ significantly with respect to life insurance policy ownership and tax consequences. However, it is common that the objectives of both the employer and employee can be met under one of these designs.

You'll want to consult an attorney experienced with business arrangements like these, and talk to a financial professional before proceeding.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

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Three Ways to Curb Overspending

If you regularly spend more money than you make, you have company. According to the Federal Reserve Bank of New York’s Center for Microeconomic Data, Americans’ total household debt rose $193 billion to a record $13.15 trillion at the end of 2017. Among the contributors: credit card balances shot up 3.2% for the year.

Start with a Budget

If you are in debt, overspending is likely one of the causes. Make a few small- to medium-sized purchases here and there without a plan and it’s easy to see how debt accumulates. To stop this trend, start with a budget. Chronicle every penny that goes out for one month and compare it to what comes in — your income. Use this information to establish a budget, cutting enough expenses to make what goes out match what comes in.

Become Credit-Smart

Next, develop a plan to tame your credit card spending. If you don’t carry your cards, you can’t use them when entering a store or restaurant. Is online spending your problem? No problem, if you put your cards in a safe place that is out of reach when the impulse-spending urge strikes.

If credit cards are the main culprit of your overspending and you carry large balances, paying down these cards can pay off in the form of lower interest rates as your credit score improves.

In an Emergency

Unexpected and expensive vehicle repairs happen. So do home repairs, healthcare bills and even unemployment. To help defray most or all of your unexpected expenses, create an emergency fund, preferably one that covers six to 12 months of everyday expenses. But even a smaller fund is better than none. Put something away and don’t forget to budget for it, contributing to the fund at least as often as you would pay a monthly utility bill.

FAFSA Filing Start Date Coming Soon

If you had a child graduate college at least two years ago and you have another who will enter college in September 2019, you may not be aware of the new FAFSA submission date.

The first day you can file the federal government’s Free Application for Federal Student Aid (FAFSA) for the 2019–2020 school year is October 1, 2018, which is earlier than in the past. Filing early may give you access to aid that might not be available later, but you have until June 30, 2019 to file for the same school year.

Tips for Success

Applying for the FAFSA isn’t a picnic, but you can get the most from this annual rite of passage for college students and their parents by avoiding common mistakes like not signing the application and leaving fields blank.

Also consider using the online IRS data retrieval tool, which you’ll find at fafsa.ed.gov, to transfer information from your federal tax return to the FAFSA. Filing your FAFSA online not only gives you access to this tool, but to online application checks that can help you file accurately.

Student financial aid is usually available on a first-come, first-serve basis, so file early and accurately.
September is Life Insurance Awareness Month, a time like any other when we can come up with several excuses to either not own life insurance or not own enough. Here’s to setting the record straight:

**Excuse:** I have plenty of time to buy it.

**Truth:** Perhaps you do, but what if the unthinkable happens before you buy it? You aren’t immortal. Or what happens if you develop a medical condition that either makes you uninsurable or makes life insurance unaffordable?

**Excuse:** Life Insurance is too expensive.

**Truth:** The younger you are, the cheaper individual coverage is. You might also afford a term insurance policy, especially one that allows you to convert to permanent insurance down the line. And don’t forget about employer-sponsored life insurance, which is group coverage that is typically less expensive than if you bought it on your own. Group life insurance typically ends when you leave the job.

**Excuse:** I’m a stay-at-home spouse, so I don’t have income to replace.

**Truth:** When a stay-at-home spouse becomes widowed, childcare for young children may become a financial issue. If you don’t have young children, your income still may not be adequate to pay others to perform the tasks you did, affecting the family’s standard of living. Life insurance can help fill this gap.

**Excuse:** I don’t want to buy something I don’t understand.

**Truth:** That’s a legitimate concern, but you have control over it. Ask questions. If you can’t get answers that are easy to understand, talk to a financial professional who can provide them.

October is National Cyber Security Awareness Month, a good time to make sure to protect your loved ones, your business and yourself from a host of increasing cyber threats. Here is a sampling of advice from the U.S. Department of Homeland Security to help protect you online:

- In the digital age, keeping your children safe requires vigilance. Review security settings and privacy policies to make sure the websites your children frequently visit are age-appropriate;
- Watch changes in behavior. Children who suddenly avoid the computer or smartphone could indicate they are victims of online bullying;
- Use two-factor authentication, such as one-time PINs texted to your smartphone, with your passwords;
- Make your passwords stronger, using upper and lowercase letters with numbers and characters;
- Use up-to-date software that keeps you safe from viruses and malware;
- Don’t get caught in a phishing attack. Even when an email looks like it is from your bank or credit card company, call them or access their website directly instead of clicking on the email link.

**The Facts of Life (Insurance)**

The following 2017 Insurance Barometer Study is conducted by LIMRA, the financial services industry organization that measures such attitudes and trends, and the nonprofit Life Happens.

- **Four in 10** Americans wish their spouse had more life insurance.
- **Some 60 million** Americans have an average life insurance needs gap — the difference between their actual coverage and their needs — of **$200,000**.
- About seven in **10** husbands own life insurance, while only **63%** of wives can make the same claim.
- **Four in ten** households without life insurance would struggle to pay living expenses if their primary wage earner died.
- Americans’ average life insurance coverage would replace **three** years of income, down from **3.5** years in 2010.
While most business owners look for ways to operate efficiently, finding ways to cut costs is often difficult. One not-so-obvious way to accomplish this is to become proficient with digital tools, helping to reduce overall costs and also attract and retain tech-savvy individuals.

Extend Your Reach

In today’s digital world, content is the marketing buzzword of the day. Using popular social media, post regularly on the websites your customers frequent most, so readers know when to expect them. Make sure to make your posts relevant to your customers and business. You might even acknowledge or reward your best customers online.

Adopting a thought-out, online content approach will appeal to younger customers and to younger, prospective employees, who will become your company’s leaders tomorrow.

Travel by Tech

Technology can also help cut travel costs. With today’s teleconference and meeting tools, your salespeople can travel the globe online at a fraction of the cost of in-person travel. And speaking of tech, using cloud-based software solutions and maintaining online backups may also save you considerable dollars.

More Cost Savings

With tech as a vital tool, consider a policy that allows employees to work some portion of their week from home — a valuable employee benefit. A generous telecommuting policy can open your company up to qualified job candidates throughout the U.S. and, for that matter, the world.

By using online tools, you can also cut redundant paperwork and the wasted hours used to produce it, and you may even consider moving to a smaller brick-and-mortar office space, thanks to your new telecommuting policy.

Take Precautions

While you count your tech-enabled cost savings and content marketing-generated profits, don’t forget to take precautions by maintaining current virus scanning and malware software to guard against a digital hack.

Tech-enabled Benefits

When you adopt a digital mindset, why not also use this approach to give employees the freedom to manage their employee benefits the way they feel most comfortable — via smartphone and other online approaches.

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The material submitted appears consistent with applicable standards.

Reviewed by,

Brian L. Finnell  
Associate Principal Analyst

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