

Business Insurance Planning

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# Protect your business

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## Ameriprise Financial *Confident Retirement*<sup>®</sup> approach



The Ameriprise Financial *Confident Retirement* approach breaks retirement planning down into doable steps to take the uncertainty out of facing your future. Your financial advisor can offer practical advice and solutions to cover your essential expenses, ensure your lifestyle, **prepare for the unexpected** and **leave a legacy**.

Ensuring that your current financial plan has the protection you need, can help you achieve a more confident retirement. Life insurance can help you achieve your business and personal financial goals.

### FIXED/VARIABLE/TERM LIFE INSURANCE:

NOT A DEPOSIT • NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT BANK, CREDIT UNION OR SAVINGS & LOAN GUARANTEED • VARIABLE LIFE INSURANCE MAY LOSE VALUE

# Secure what you care most about

1 Integrating your personal and business financial planning

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2 Understanding your goals

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3 Discussing your priorities and timelines

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4 Determining whether your current plan provides the protection you need

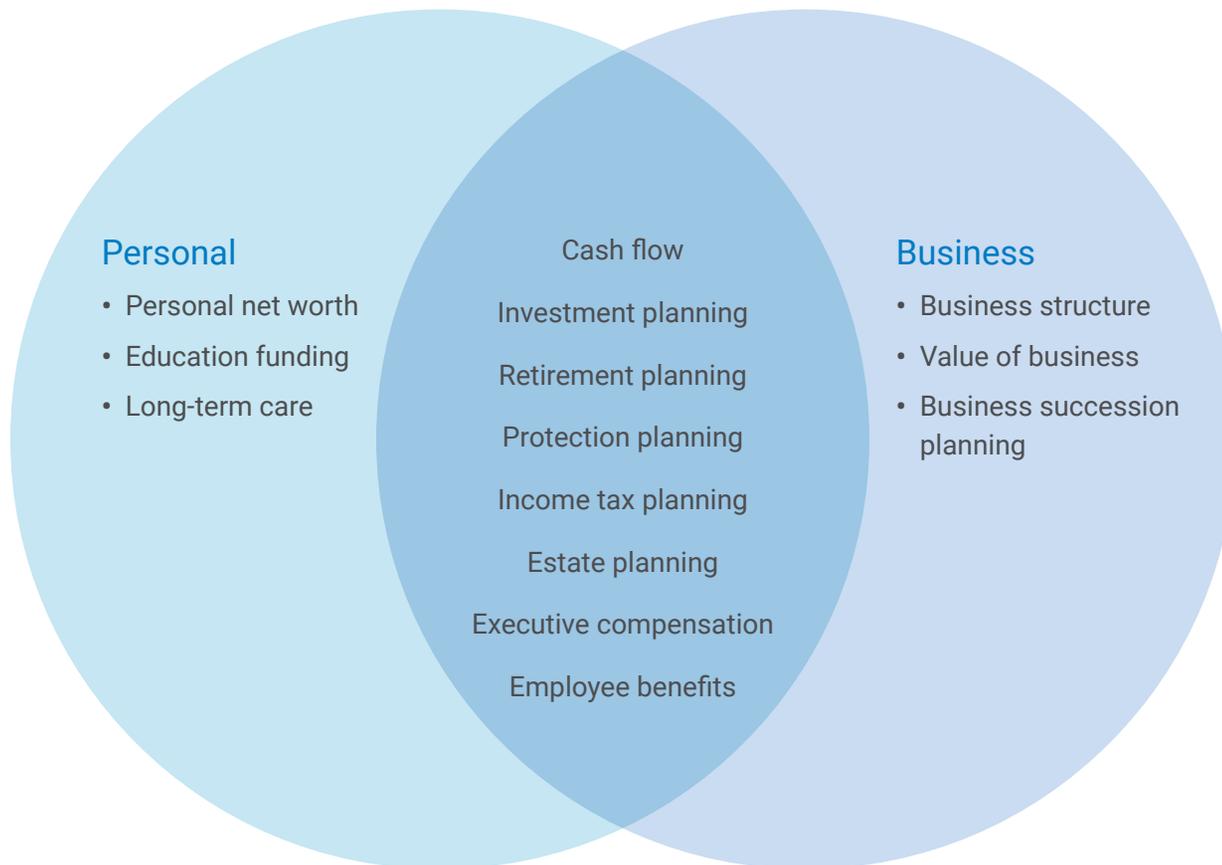
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5 Agreeing on next steps

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# Integrate solutions for business and personal financial needs

## Personal and business needs intersect



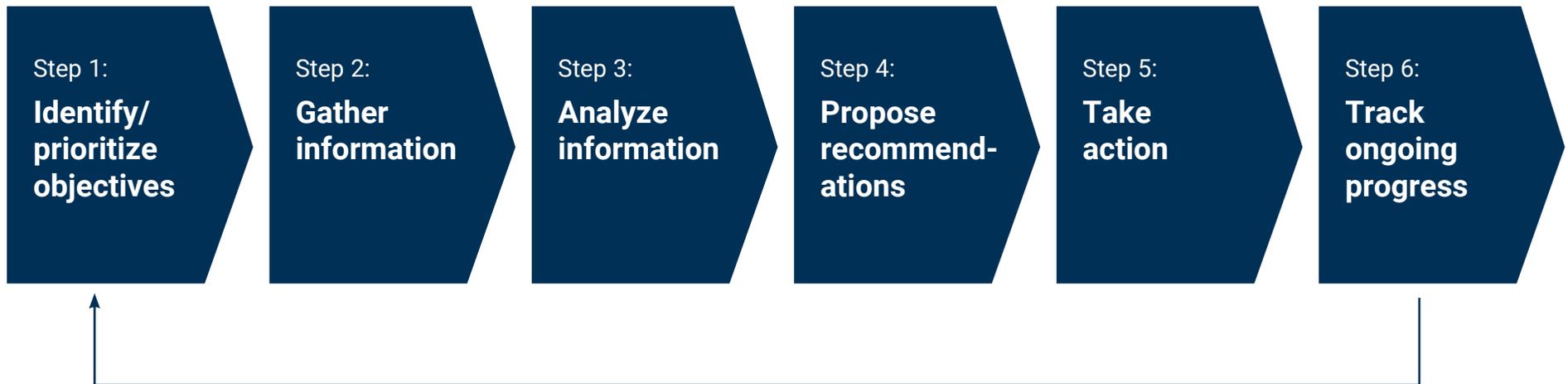
Your business is a key component of your overall financial picture. That's why it's important to determine whether you have:

- Ways to use your business to reach your personal goals
- A plan that provides you the right kind of protection for this significant asset and your family

Let's look at how your personal and business finances and goals can work together.

# The financial planning process

The following is the six-step financial planning process as defined by the Certified Financial Planner Board of Standards, Inc.



Financial planning services are provided through Ameriprise Financial Services, LLC. and are optional, offered separately and priced according to your needs, goals and complexity.

# Focus on protection planning

## Four key planning areas

### Key person protection

Would your business suffer if you lost an owner or key employee through retirement, disability or death?

### Business continuation

Do you have a plan to effectively transfer your business when it's time for you to move on?

### Executive benefits

Do you want to provide additional insurance or retirement benefits to the business owners or key employees?

### Estate planning strategies

Have you considered what you want to happen to your business and your personal financial assets upon your death?

## Identify your goals

### Key person protection

- Protect the business from losses
- Protect the value of the business
- Recruit and train a replacement
- Provide funding for business expenses in the event of a disability
- Pay off debt
- Strengthen the assets of the company

### Business continuation

- Establish a plan to transfer an interest in the business
- Determine the value of the business for planning purposes
- Create funding to facilitate the transfer of the business
- Receive a fair market price for the business at transition
- Preserve your equity in the business
- Provide a cash flow for the business in the event of the owner's sickness or injury

### Executive benefits

- Use corporate assets to help pay for your survivor protection needs
- Supplement retirement benefits, life insurance and disability insurance for selected employees
- Attract and retain talent
- Develop a tax-wise retirement plan

### Estate planning strategies

- Provide continued family income from the business
- Ensure sufficient cash to pay business debt and/or taxes
- Treat family members fairly, in light of future business ownership
- Make charitable gifts

# Key person protection

## **Purpose:**

- Help protect the business against the economic consequences the loss of a key person may cause such as the:
  - loss of management skill and experience
  - disruption in sales or production
  - decreased credit availability
  - cost of hiring and training a replacement

## **How it works:**

- The business:
  - purchases insurance policies on each key employee
  - pays the premiums on the policies
  - acts as the owner and beneficiary of the policies

## **How to determine need and next steps:**

- Contribution earnings method
- Cost replace experience method
- Multiple of salary
- Loss of value to the business
- Capitalization of excess earnings
- Cost to replace sales profit

# Business continuation

## Establishing a buy-sell agreement

### Purpose:

- Creates a legally binding contract for the future sale of a business

### How it works:

- Terms of the agreement outline the conditions of sale in the face of a triggering event or events, such as death, long-term disability, retirement or divorce
- Contract binds and provides security for both the buyer and the seller
- Parties establish a purchase price (or formula for determining the price)
- Agreement can fix the value of the stock for calculating federal, state and death taxes\*
- Agreement provides a pre-established funding source such as life, disability, and/or buy-sell insurance, a sinking fund, or an installment sale

### How to determine need and next steps:

- Select a buyer/successor
- Consult an attorney to establish the agreement
- Conduct a business valuation
- Fund the agreement

\* If the agreement is among family members, it may not fix the value for tax purposes.

# Executive benefits

## **Purpose:**

- Provide enhanced benefits to top employees/executives and, potentially, business owners

## **How it works:**

- Can provide additional life and/or disability insurance for executives
- Can supplement qualified plans or other tax-deferral programs through the use of cash value life insurance and/or other types of financial products and investments
- May contain restrictions that provide incentives to an employee to remain with the company

## **How to determine need and next steps:**

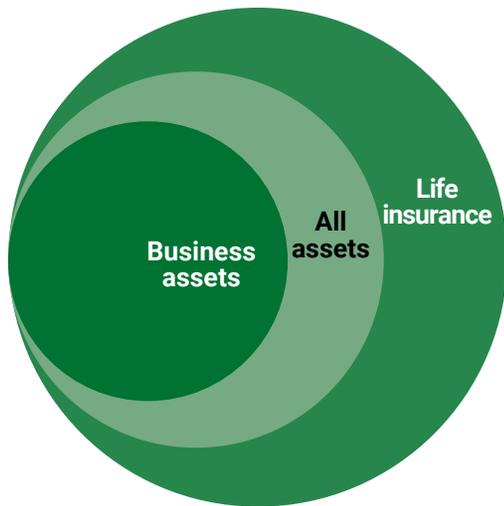
- Determine who will receive the benefits
- Decide which benefits to offer
- Consult attorney or tax professional to draft necessary documents
- Fund the benefit

# Estate planning strategies



**For most business owners, the business itself is a very large portion of their estate. This creates several significant planning challenges such as:**

- How your survivors will meet their needs
- How to treat heirs fairly
- What liquid assets will be available to meet the expenses of taxes and estate administration

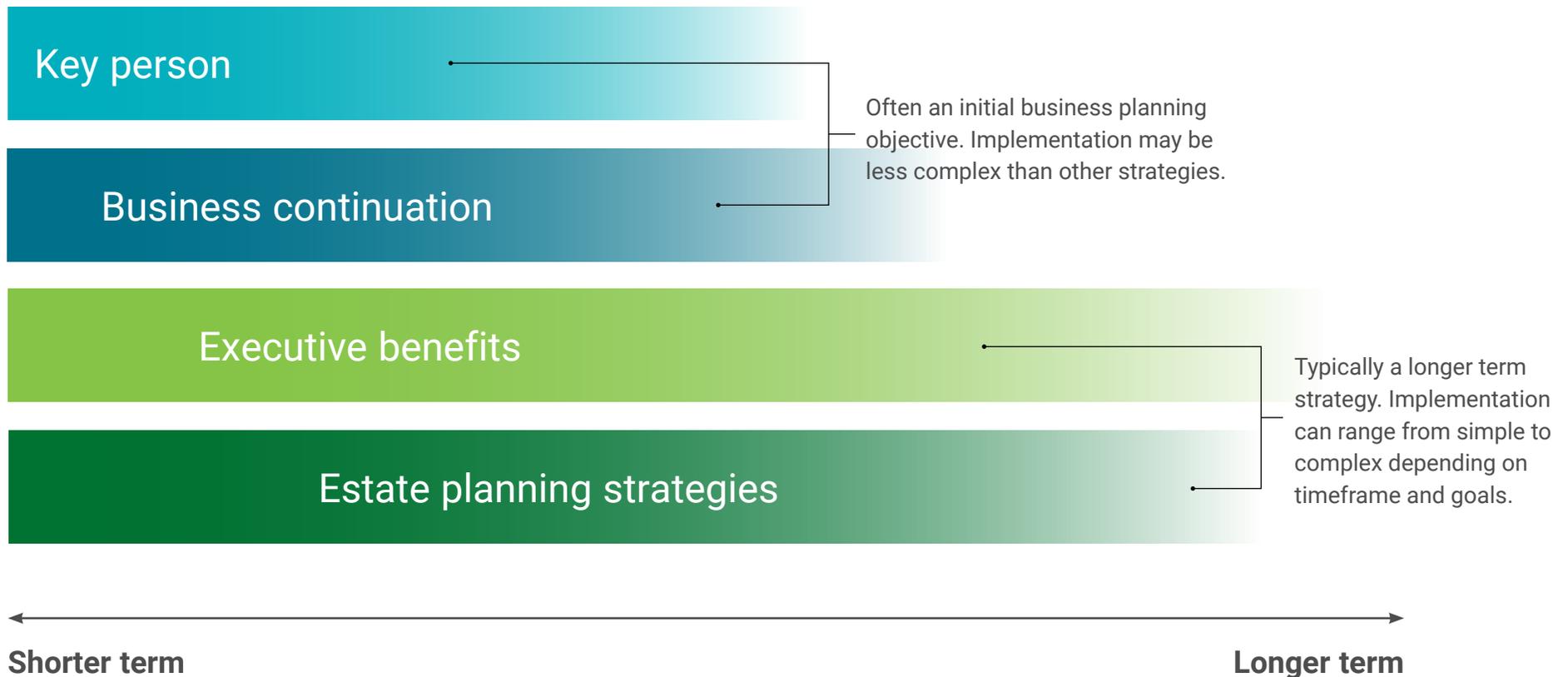


**Life insurance provides solutions to key challenges:**

- Creates liquidity to address estate settlement expenses
- Can be used to help ensure fair treatment of heirs
- Helps survivors meet outstanding business debts and/or taxes, providing income and capital during an uncertain period

# Business planning timeline

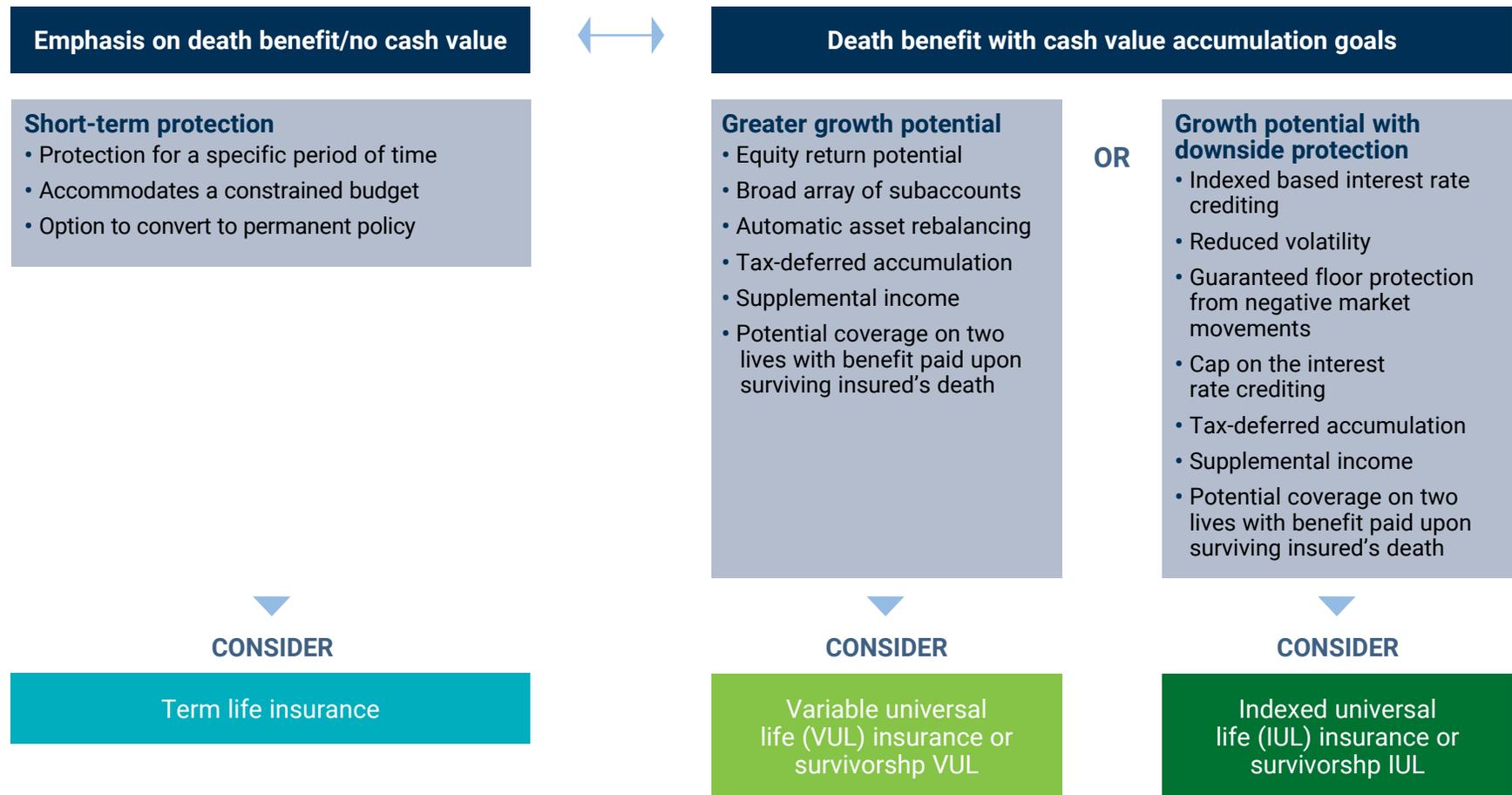
As we discuss the goals for your business, it is important to understand how the timeline for each individual's goals can vary.



# Life insurance solutions

Select quality life insurance solutions to help meet your financial protection goals:

- Key person protection
- Business continuation
- Executive benefits
- Estate planning strategies



All guarantees are based on the continued claims-paying ability of the issuing company and on variable insurance do not apply to the performance of the variable subaccounts, which will vary with market conditions.

# Next steps

## Gather information

- Financial statements
  - Employee benefits
  - Life and disability income insurance policies
  - Income-tax returns for two years
  - Estate planning documents (wills, trusts, buy-sell agreements)
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## Analyze information

- Analyze coverage amounts needed
  - Determine eligibility limits
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## Propose recommendations

- Propose solutions
  - Show illustrations
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## Take action

- Meet with attorney and tax adviser, if necessary
- Implement recommendations
- Apply for appropriate insurance and begin underwriting process

# Working together to help protect what's important

We believe a balanced approach to protecting what's important to you while investing toward your goals is the best way to help secure the financial future of your business.

That's why we offer growth, income and protection solutions designed to help provide a lifetime of financial opportunity and security for both you and your business.

Live confidently  
every day.

As a company with a long history of strength, stability and expertise, we're committed to serving your needs and interests. We offer a range of products and services that give you the flexibility you need and the stability you desire as you live for today, make plans for retirement and prepare for your personal legacy.

This information is being provided only as a general source of information and is not intended to offer you financial planning advice. Before you make any changes to your investments, please consult your tax/legal adviser regarding your individual tax and estate planning circumstances and objectives.

Before you purchase, be sure to ask your financial advisor about the life insurance policy's features, benefits, risks and fees, and whether the life insurance is appropriate for you, based upon your financial situation and objectives. Variable life insurance is a complex investment vehicle that is subject to market risk, including the potential loss of principal invested.

The IRS requires an employer to provide notice and obtain consent when considering the purchase of a life insurance policy insuring an employee when the employer is named as a direct or indirect beneficiary of the policy (IRC Section 101(j)). Failure to obtain such notice and consent could result in the loss of the income-tax-free death benefit on amounts exceeding the investment in the contract. Talk to your tax adviser regarding the implications of these requirements prior to obtaining life insurance on any employee.

The *Confident Retirement* approach is not a guarantee of future financial results.

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