

Life insurance: it's not just for people

Use it to protect your business, too

Provided by Scott Sparks, Northwestern Mutual - Denver

When it comes to life insurance, many of us undoubtedly think of it as a means of providing for our loved ones when we're gone. But life insurance can be a useful, flexible tool for small business owners as well.

Just like individuals, businesses face risks. After investing so much time and hard work in your business, it is one of your greatest assets, and you need to protect it.

AN EMPLOYEE BENEFIT

First and foremost, life insurance can be a benefit for your employees. Offering a full benefits package, with life insurance as a foundational component, can be vital in attracting and retaining quality employees to grow your business.

Once you have those key players in place, providing life insurance, among other benefits, can help assure employees that their contributions are valued, strengthening workforce bonds and communicating your understanding that safeguarding an employee's family against the unexpected is a high priority. Of course, life insurance can protect more than just people; it can protect intangible components of your business as well.

CASH FLOW AND PRODUCTIVITY TOOL

Business success is often based on a select group of employees. The disability or death of one of those key contributors

could be devastating to a company's productivity and growth, not to mention its credit ratings, customer relations and overall business continuity. Protecting these high performers with a disability income wage continuation plan and life insurance, should anything happen to them, can provide the income and assets needed to strengthen cash flow, hire and train replacements and assure creditors of business continuity.

A SUCCESSION PLANNING TOOL

Life insurance can also be a good tool when it comes to succession planning. In a business with joint ownership, a buy-sell agreement is often created to set mutually agreeable terms and price, facilitate smooth transition and control of the business. If something should happen to one owner, a buy-sell agreement allows the other owners to easily purchase his or her interest in the company.

A life insurance policy can be one of the best financial tools to fund the buy-sell agreement. Co-owners can each be the owners and beneficiaries of life insurance on the other owners. Alternatively, the business can be the owner and beneficiary of policies on each of the partners. If one partner dies, the surviving co-owner or business receives the death benefit and uses the money to purchase the business interest from the deceased owner's estate. This provides the estate with the cash,

without requiring ongoing involvement in the business, while allowing the remaining owner(s) to continue operating the business as smoothly and efficiently as possible.

A CAPITAL TOOL

In addition to protecting employees, owners and the business itself, life insurance policies can be used for capital. Any whole life insurance policy offers living benefits on the policy's cash value. You can borrow against the cash value to help fund business needs. If an employee leaves, the business can sell or transfer a policy on that employee to the departing employee, surrender it for its cash value, or transfer the policy to another key staff member.

The ultimate goal of any business is creating wealth for its owners. Providing for key employees, and protecting profitability and the business's bottom line can be a big factor in creating that wealth. Life insurance can offer that protection and give you flexibility and options for maintaining your business should you lose a key player or even a partner. In any case, you always have the best opportunity to deal with such a loss when you plan for the contingency before it happens.

This article was prepared by Northwestern Mutual with the cooperation of Scott Sparks. Scott Sparks is a Wealth Management Advisor with the Northwestern Mutual Wealth Management Company, a subsidiary of The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin.