

LIFE INSURANCE FOR BUSINESS OWNERS

Protect Your Business and Family Legacy

Introduction

As a business owner, you have unique insurance needs. Life insurance can protect your business from financial disruption if something happens to you, and it can provide security for your family and employees. This guide explores key life insurance strategies for business owners.

Why Business Owners Need Life Insurance

- **Income Replacement:** Your business generates income for your family. If you pass away, that income stops.
- **Debt Repayment:** Your business may have loans or lines of credit that need to be paid off.
- **Transition Planning:** Your business needs time and resources to transition to new ownership or management.
- **Employee Protection:** Your employees depend on your business for their livelihoods.

Key Person Insurance

Key person insurance is a policy on the life of a critical employee or owner. If that person dies, the business receives the death benefit, which can be used to cover lost income, find and train a replacement, or pay off business debts.

Buy-Sell Agreements

A buy-sell agreement is a contract between business owners that specifies what happens to an owner's share if they die, become disabled, or want to leave the business. Life insurance funds the buy-sell agreement, ensuring that the business can purchase the deceased owner's share from their heirs.

Types of Buy-Sell Agreements

Cross-Purchase Agreement: Each owner buys life insurance on the other owners. If an owner dies, the surviving owners use the death benefit to buy the deceased owner's share.

Entity Purchase Agreement: The business itself buys life insurance on each owner. If an owner dies, the business uses the death benefit to buy the deceased owner's share from their heirs.

Succession Planning

Life insurance plays a crucial role in succession planning. It provides the funds needed to transition the business to the next generation or to a buyer, ensuring continuity and protecting your family's financial interests.

Calculating Your Life Insurance Needs

1. **Determine Business Value:** What is your business worth?
2. **Identify Debts:** What loans or obligations does the business have?
3. **Calculate Income Replacement:** How much annual income does the business generate?
4. **Plan for Transition:** How much will it cost to transition the business?
5. **Total Coverage Needed:** Add up all these amounts to determine your life insurance needs.

Types of Life Insurance

Term Life Insurance: Provides coverage for a specific period (10, 20, or 30 years). It's affordable and straightforward but expires after the term ends.

Permanent Life Insurance: Provides coverage for your entire life. It's more expensive but builds cash value that you can borrow against.

Conclusion

Life insurance is an essential component of business planning for owners. It protects your business from financial disruption, ensures your family is provided for, and facilitates smooth transitions of ownership. Work with a qualified insurance professional to determine the right coverage for your situation.

This guide is for educational purposes only and does not constitute financial or insurance advice. Please consult with a qualified financial advisor and insurance professional for personalized recommendations. Document prepared by Goldstein & Co. LLC on December 18, 2025.