

Key person insurance

As a business owner, you know that the key to the profitability and growth of your business often relies on a single individual or small group of people. The unexpected loss of a key person – such as an owner, a partner, a majority shareholder or a valued employee – often has a significant impact on a business. Key person insurance can help protect your business from the loss of such an employee.

Benefits of key person insurance

Factors that can make key person insurance important for your business include:

- Providing a benefit that can be used to keep your business running if a key employee passes away
- Covering expenses related to finding and training a replacement for a key employee
- Retaining key employees with all or a portion of policy benefits

Consult your tax and legal advisors regarding your specific situation.

How key person insurance works

- Your business can purchase an insurance policy on the life of the key employee, with his or her consent.
- Your business can be the policy owner and beneficiary.
- The business pays the premium.
- The business cannot deduct the premiums, but the death benefit proceeds are generally received income tax free.*
- If the employee passes away, the business receives the death benefit.
- If the employee instead fulfills his or her service, the policy can be transferred or used to fund other benefits.

For more information about key person insurance, call today.

*Although the death benefit is not subject to regular corporate income taxes, the corporate alternative minimum tax could apply to inside buildup as well as to the death benefit. Edward Jones, its employees and financial advisors cannot provide tax or legal advice. You should consult your attorney or qualified tax advisor regarding your situation.

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