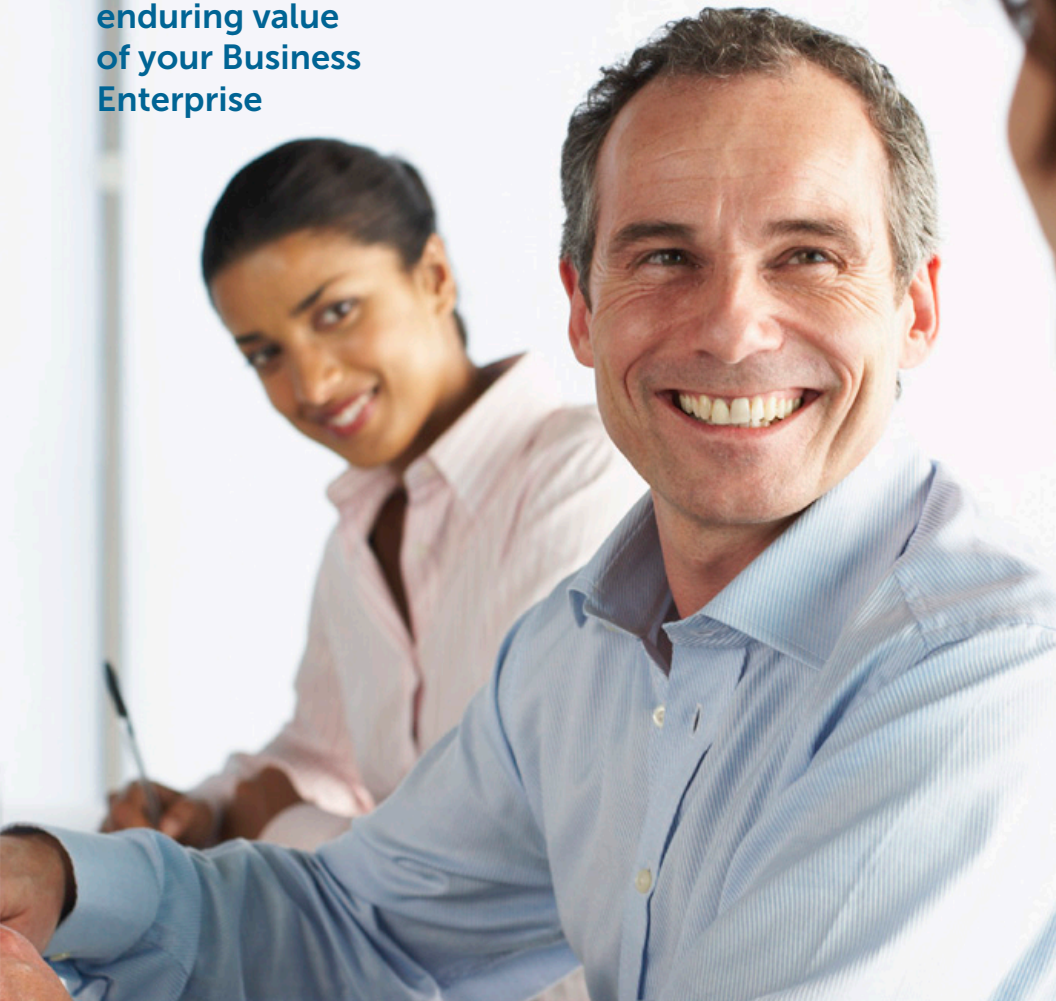


KEY PERSON PROTECTION

Preserving the
enduring value
of your Business
Enterprise





Who is key to your business?

- Owners (including partners & shareholders)
- Senior management talent
- Top procurement and sales people
- Specialized technical staff

Protecting against what?

- Disagreement
- Departure (retirement)
- Disability
- Death

What are the risks in wake of loss of key person?

- Management is disrupted
- Financial pressures mount
- Employees respond

Assessing the value of a risk

Category	Example	Actual
Lost executive's salary	\$100,000	\$
Total salary for management group	500,000	
Ratio of lost executive's salary to total management compensation	20%	%
Transition period (years)	2 years	
Replacement cost (Transition & training)		
Replaced executive's salary	\$150,000	\$
Lost executive's salary	100,000	
Additional salary	50,000	
Transition period (years)	x 2 years	x
Total additional salary	100,000	
Negotiated fee to executive recruiter (ex: 25%) ____ % of replacement salary	37,500	
Total replacement cost	\$137,500	\$ (A)

Potential Impact on Sales		
Anticipated sales during transition period	\$5,000,000	\$
Attribution to lost executive (presumed to be salary ratio)	20%	%
Dollar value of sales attributed to lost executive	1,000,000	
Retention capability of continuing organization and replacement executive (example – 50%)	50%	%
Total sales potentially lost	\$500,000	\$ (B)

Potential Impact on Credit Lines		
Line of credit	\$1,000,000	\$
Attribution to lost executive (presumed to be salary ratio)	20%	%
Total credit line potentially lost	\$200,000	\$ (C)

Other Potential Impact (Goodwill and indirect costs)	\$	\$ (D)
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Total Key Executive Valuation		
(A) + (B) + (C) + (D)	\$837,500	\$

Solutions

Fully-funded Insurance

Provides power and flexibility to:

- Replace lost business profits
- Fund the cost of a recruitment/replacement search program
- Assure confidence of lenders, employees and business contacts
- Fund payment to the affected individual and family
- Enable tax-advantaged receipt of necessary moneys
- Act as a catalyst for other business purposes if insured risks do not arise

Reverse Split Dollar Arrangement

Creates a unique benefit for a key person, aligning key person's loyalty with the business interests. This strategy allows the corporation to:

- Guarantee a line of credit or protect the corporation for the economic loss of a key person
- Help executives accumulate investments on a tax-sheltered basis
- Enable corporation to pay shareholders substantial tax-free dividends following the death of a key person

Reverse split dollar is an ideal arrangement where a corporation needs to insure one or more of its key executives and the corporation would like to provide those executives with an opportunity to accumulate their investments on a tax-sheltered basis.

STEPUP

Providing you with the estate planning and wealth strategies that matter most, the Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team is comprised of practicing professionals whose primary objective is to support you as you help your clients reach their financial goals.

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Investments • Insurance • Group solutions
www.empire.ca info@empire.ca