



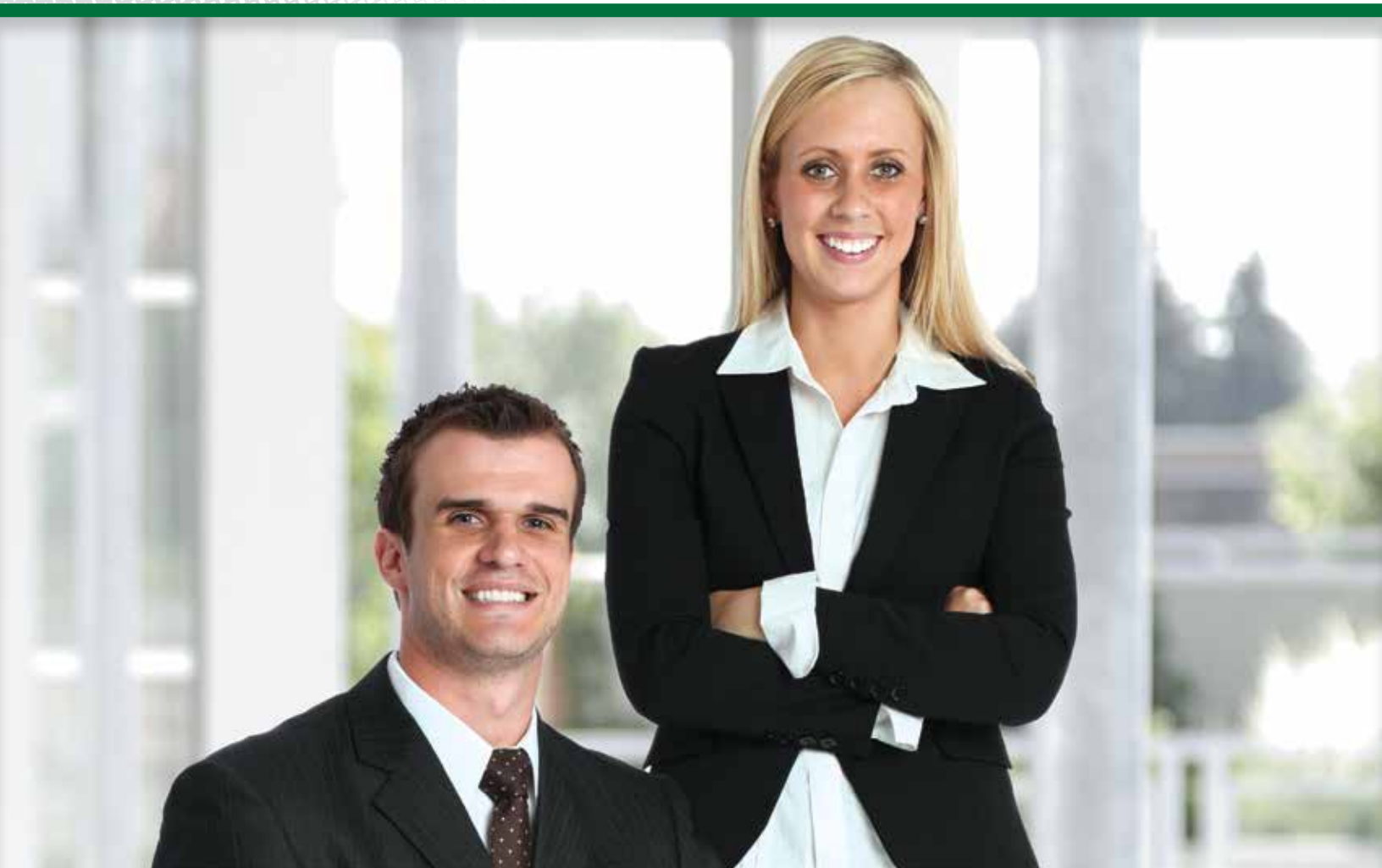
North American Company
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Since 1886

Life

Business Solutions

Key Person

Case Study



MEET TOM AND HOLLY

Technology Services Plus, Inc. (TSP), is an established company listed as an S-Corporation that provides IT services to small- and medium-sized businesses. Tom founded the company 15 years ago and has grown the original staff of three employees to over 40, spanning across four states. As the company has grown over the years, additional leadership has emerged to meet the demands of its customers. Holly has been the lead on a number of initiatives that play a big role in the company's future success. Not only has she proven her ability to get new offices running smoothly, but she's also responsible for maintaining TSP's employee training programs.

Aware of the value Holly adds to the company, Tom considers how the business would survive without her. Tom consults his insurance agent about protecting the business by purchasing a Key Person life insurance policy on Holly's life.

Part of Holly's job entails launching new store locations. In the event of Holly's death, a delayed store launch could cost the company \$200,000 - \$400,000. A Key Person coverage amount of \$400,000 would help mitigate this loss. After weighing his product options with help from a life insurance agent, Tom decides to purchase a Rapid Builder IUL[®] indexed universal life policy with the Waiver of Surrender Charge Option,¹ providing \$400,000 in death benefit protection and access to accumulated cash value.

Note that TSP purchases the policy on Holly's life, pays the premiums, and is the beneficiary of the policy. However, Holly still has to apply for the coverage, sign the application, and qualify for coverage before it can be issued.



Scenario 1 – Death Trigger

Holly is leading the way toward opening the company's sixth store when tragedy strikes and she is killed in a car accident. The news is devastating to Tom and others at TSP, who have prospered from Holly's friendship and professional guidance. In addition to losing a friend, the opening of the new store is now pushed back three months and ends up costing TSP over \$300,000. However, Tom can use the death benefit proceeds from the Rapid Builder policy on Holly's life to offset recent costs to the business caused by the accident.



Scenario 2 – Holly Leaves the Company

Holly schedules an important meeting to notify Tom that her husband has accepted a new opportunity. The position requires them to relocate, and Tom is losing one of his best employees in only two weeks! Holly's skill set is very specialized, and TSP loses money every day she isn't there to help launch the new store. Tom decides to use a staffing firm to assist in the hunt for her replacement. Thanks to the Waiver of Surrender Charge Option, there's access to the cash value and TSP can cover the cost of the recruiting firm and any other losses the business may face.



Scenario 3 – Policy Provides Incentive for Holly

Tom is appreciative of all that Holly has done for TSP. He tells her he's setting up a bonus program through which he'll be funding a life insurance policy with significant cash value growth potential. The policy will act as a non-qualified deferred compensation plan, so at retirement, the company can take withdrawals and loans² from the policy's cash value for Holly to use for retirement planning purposes, legacy building, or other needs. Holly will receive this policy as a taxable compensation benefit. This scenario gives Holly more incentive to stay with the company for the long term and shows Tom's appreciation for the value she adds to TSP.





1 Available for an additional charge per \$1,000 per month, depending on issue age and underwriting class.

2 In some situations loans and withdrawals may be subject to federal taxes. North American Company does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation.

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