



Protect your most valued asset

How to protect your business from the unexpected.

Inside you'll discover options to help protect your business even in the toughest of times.

Creating a plan to help protect your business is a good decision.

Get started by reviewing some options, program benefits and tax considerations.

HELP PROTECT YOUR BUSINESS FROM WORKSITE CUSTOMER ACCIDENTS

Your options	Benefits	Tax considerations	Things to think about
Property & casualty insurance* (umbrella policy)	<ul style="list-style-type: none"> Helps protect your business in the event of a catastrophic loss or worksite accident. 	<ul style="list-style-type: none"> Costs are deductible to the business. 	<ul style="list-style-type: none"> Do you have adequate coverage if you were sued by someone who was injured at your place of business?

HELP PROTECT YOUR BUSINESS FROM THE UNEXPECTED DEATH OF KEY EMPLOYEES OR OWNER(S)

Your options	Benefits	Tax considerations	Things to think about
Cross Purchase Buy-Sell Agreements	<ul style="list-style-type: none"> Helps protect the business in the event that an owner dies. The agreement can be funded with life insurance, providing income tax-free funds that can be used to purchase the deceased owner's business interest from his/her estate. Surviving business owner(s) receive a "step-up" in basis. No Alternative Minimum Tax (AMT). May help determine a value for estate tax purposes. 	<ul style="list-style-type: none"> The policies are paid for by the business owners and are NOT tax deductible. 	<ul style="list-style-type: none"> What would happen to your business if you or another owner died unexpectedly? Would you be in a position to buy out the other owner's share of the business from his/her spouse or family?
Entity Purchase Buy-Sell Agreements	<ul style="list-style-type: none"> Helps protect the business in the event that an owner dies. The agreement can be funded with life insurance, providing income tax-free funds that can be used to purchase the deceased owner's business interest from his/her estate. Simple to establish. Business is the policyowner and premium payor. Policy values are a business asset. May help determine a value for estate tax purposes. 	<ul style="list-style-type: none"> Costs are NOT tax deductible to the business. Insurance may increase estate value. Insurance may result in AMT for C Corporations. 	<ul style="list-style-type: none"> What would happen to your business if you or another owner died unexpectedly? Would your business be in the financial position to buy out the other owner's share of the business from his/her spouse or family?
Key person insurance	<ul style="list-style-type: none"> Life insurance is an asset of the business. Cash or loan values become part of the business surplus. The cash values and death benefit proceeds may be used for supporting collateral for bank loans. Ownership of key person insurance helps assure banks and creditors that the business' debts will be discharged in the event of the insured's death. 	<ul style="list-style-type: none"> Costs are NOT tax deductible to the business. Depending on the structure of the business, AMT may apply to annual increases in policy cash values. 	<ul style="list-style-type: none"> Is there an employee who contributes a significant economic value to the business (e.g., top sales person who drives company sales)? If that person unexpectedly died, would your business be financially impacted?

*Services not provided by MassMutual.

HELP PROTECT YOUR BUSINESS IF YOU BECOME DISABLED

Your options	Benefits	Tax considerations	Things to think about
Cash reserve	<ul style="list-style-type: none"> A cash reserve can help your business get through a rough patch or expand – and help you prepare for the unexpected. 	<ul style="list-style-type: none"> There may be some tax considerations, depending on the type of investment chosen. 	<ul style="list-style-type: none"> Will a cash reserve be enough to pay for: <ul style="list-style-type: none"> – your company’s overhead expenses; – a disability benefit for a key employee; or – you to buy out the business interest of a disabled partner?
Business overhead expense disability insurance	<ul style="list-style-type: none"> Helps insure continuity of your business in the event you become disabled. This could help you pay the day-to-day business overhead expenses for up to two years. 	<ul style="list-style-type: none"> Costs are deductible to the business. The benefit payments are taxable, but would be paying for business costs that are generally tax deductible. 	<ul style="list-style-type: none"> If you were to become disabled, what would happen to your business? Could you afford to meet your obligations if you were not working?

HELP PROTECT YOUR BUSINESS FROM DISABILITY OF KEY EMPLOYEES OR OWNER(S)

Your options	Benefits	Tax considerations	Things to think about
Individual Disability Income insurance	<ul style="list-style-type: none"> Provides personal income protection should you become too sick or hurt to work. Employers can make available individual disability income insurance to employees on a selective basis, and can establish how much, if any, the business will contribute to the premium payments on behalf of the employee. 	<ul style="list-style-type: none"> Policy benefits are generally income tax-free when the business owner or employee pays the premiums. Should the employer pay all, or some of the costs, generally speaking, premiums paid are tax deductible to the business. Benefits are taxable if premiums are a pre-tax entry. 	<ul style="list-style-type: none"> How would your company respond if you or a key employee suffered a long-term disability? Would you want to continue providing income for the executive and his/her family? Is there a plan in place detailing which employees you will, and will not, continue providing income for in the event of a disability?
Disability Buy-Sell Agreements Can be structured as an Entity Purchase Buy-Sell or Cross Purchase Buy-Sell	<ul style="list-style-type: none"> In the event of disability, the buy-sell agreement will provide the proper valuation formula and identify the income source, or amount to be paid to the disabled partner. Disability buy-sell agreements can be funded with a disability buy-out insurance policy. This helps reduce business disruptions and financial burdens associated with the transitioning of ownership of a disabled partner. 	<ul style="list-style-type: none"> Premium costs are not deductible. Generally speaking, policy proceeds are received by either the business or the owners tax-free. 	<ul style="list-style-type: none"> What would happen to your business if you or your business partner were to become disabled? Would you be in a position to buy out your partner’s share of the business?
Qualified sick pay plan	<ul style="list-style-type: none"> Sets company policy regarding employee pay before a disability occurs. It establishes whom to pay, how much to pay, when to start payments, and how long to pay. Assures the employees that income will continue in the event of a covered disability. Can be offered as an incentive to key employees. Legally protects company in instances of multiple employee disabilities. 	<ul style="list-style-type: none"> When the company funds the plan with disability income insurance and pays some or all of the premiums, the company can deduct the premium as a necessary business expense. According to the IRS, if a qualified sick pay plan is not established prior to a disabling injury or illness, the amounts paid to a disabled employee are not treated as wages, and so are: <ul style="list-style-type: none"> – Not a business expense – Not tax deductible 	<ul style="list-style-type: none"> Have you established and communicated a qualified sick pay plan with your employee community?



NEXT STEPS

- 1. Take stock:** Inventory the programs you already have implemented and determine a timeline to have them reviewed by a financial professional.
- 2. Review personnel:** Determine who your most valuable employees are. If those employees are critical to the success of your business, develop a strategy to make sure your business is protected in the event of death or disability.
- 3. Think big picture:** Begin working with your financial professional to outline your long-term personal and business financial goals. Planning for the unexpected is just as important as planning for your expected growth, diversification or even the sale of your business.

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