

Small Business Owners

The Backbone of Our Economy




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There are 28 million small businesses in America today, accounting for 54% of all sales in the United States. Over half of the country's working population (120 million individuals) works for a small business. Small businesses continue to grow at a higher rate than they have in the past, increasing by 49% since 1982.¹

Despite this growth, only half of all new small businesses last more than five years. There are multiple stresses on small business owners: corporate competition, economic fluctuation and employee retention, to name a few. No business or business owner is immune to these challenges.

Considerations:

Ask your small business client these important questions:

- What will happen to your business if you pass away?
- What will happen to your business if you retire?
- What will happen to your family if you pass away?
- What will happen to your family if you retire from your business?
- What will happen to your business if a key employee passes?

The answers to these questions can lead to a conversation about life insurance and the important reasons small business owners should consider it.

With so many small business owners nearing retirement age, owning a home, and having families, the need for life insurance and retirement options continues to grow.



Robert: Architect

57 YEARS OLD | MARRIED | 2 CHILDREN | 1 GRANDCHILD

Heather: Architect

60 YEARS OLD | MARRIED | 1 CHILD | 2 GRANDCHILDREN

Robert and Heather established their architecture firm 19 years ago and it has grown from just the two of them to 17 additional employees. They established an atmosphere of learning and mentoring, creating a true family culture at work. Both Robert and Heather feel a great sense of responsibility for continuing this culture, especially as they focus on planning for the future.



Preserving the Present

The company has done well, allowing both Robert and Heather to plan appropriately for their retirement, but as they come upon their 20th anniversary they have started to worry about what will happen to the company if something were to happen to one of them.



Protection with Life Insurance

They want to make sure that the firm stays intact and can continue business as usual. The concern is that it may be difficult for one partner to come up with the funds to make that happen. Not to mention, they would like each other's family to be protected in the absence of their regular income.



Protective Series PassportSM Simplified Issue Term Life Insurance

One of the best options is a buy/sell agreement. For Robert and Heather, it would allow each of them to purchase enough life insurance on the other to buy the firm from the deceased's estate in the event of his or her untimely death. They would agree to the firm's price in this process, assuring that the other's family received a fair value for their ownership share.

Simplified Issue Term Life Insurance:

- Has a short application and decision process so Robert and Heather can spend more time focusing on their business, and gain valuable coverage right away.
- Provides an income tax-free death benefit for the beneficiary, helping to provide peace of mind that the business could be sustained if something were to happen to either Robert or Heather.

Agent Tip:

It is key to partner with a business attorney in order to incorporate the appropriate language in the Buy/Sell agreement.



Linda: Florist

63 YEARS OLD | MARRIED | 1 CHILD | 2 GRANDCHILDREN

Linda is ready to take a step back. As a successful owner of the premier floral business in her city, her company could not be healthier. Now that Linda is a grandmother, her interest in the business is beginning to wane as she wants to take a more active role in her grandchildren's lives.



Taking a Step Back

Linda is ready to shift her duties from working six days a week to a more supervisory role. Fortunately, she has seven great employees to help make this possible. One employee in particular almost guarantees a smooth transition.

Brenda is Linda's most dependable employee. When Linda takes extended breaks from work, Brenda is relied upon to oversee the business. If anything were to happen to Brenda, Linda's plans to step back would fall through and the business would lose a valuable asset.



Protecting Her Assets

Linda has heard about key person insurance before but never investigated it fully. Key person insurance is life insurance for an employee crucial to a business. In order for Linda to estimate the amount of key person insurance she needs, she should think about how much she can afford and how much capital she would need if she lost Brenda.

Linda needs to prepare for every possibility before she is ready to take that step back. With key person insurance, Linda ensures that her most vital employee is protected and her business remains in good hands.



Term Life Insurance

Linda would purchase the policy on Brenda and pay the premiums. If anything were to happen to Brenda, Linda is the beneficiary of the policy and can utilize the funds to:

- Look for a new employee to replace Brenda
- Pay expenses if business slows in Brenda's absence
- Ensure a smooth transition if she begins the process of selling the company.

Key Person Insurance Facts

71% of firms are dependent on one or two key people for their success.³

22% only 22% of firms have key person insurance.³

With all the challenges facing small business owners, everyone is seeking peace of mind.

These clients need to know that no matter what the future holds, their lives and families can be secured by the right financial tools.





¹ “**Small Business Trends.**” SBA.gov. Small Business Administration

² “**Demographic Characteristic of Business Owners,**” SBA.gov. Small Business Administration

³ “**Business & Employee Insurance Issues Among U.S. Small Businesses,**” NAIC.org. The National Association of Insurance Commissioners (2007)

“**Small Business Profiles,**” SBA.gov. Small Business Administration

Protective and Protective Life refer to Protective Life Insurance Company (PLICO) and its affiliates, including Protective Life and Annuity Insurance Company (PLAIC).

The characters, events, and situations in all of the case studies are fictitious and should not be used to determine a real customer’s needs. A thorough analysis should be performed for every customer to find the right financial product to fully suit their needs.

Protective Series Passport Term Life (ICC18-TL22/TL-22) is a term life insurance policy issued by Protective Life Insurance Company (PLICO) in all states except New York and in New York by Protective Life and Annuity Insurance Company (PLAICO), under policy form number (TL-22-NY 8-18). Both companies are located in Birmingham AL. Premiums increase annually after the initial guaranteed premium period. Policy form numbers, product features and availability may vary by state. Consult policy for benefits, riders, limitations, and exclusions. Subject to underwriting. Up to a two-year contestable and suicide period. Benefits adjusted for misstatements of age or sex. In Montana, unisex rates apply. All payments and guarantees are subject to the claims paying ability of the issuing insurance company.

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