

FUTURE-PROOF YOUR BUSINESS

Key Person Protection Worksheet

QUANTIFYING POTENTIAL KEY PERSON LOSSES

Losing a key person to death or critical illness has real costs. Estimate the impact this could have to your business by filling out the form below. We'll review, and then set up a time to discuss your options.

Name

Business Name

Phone Number

Key Person's Name

Email Address

Key Person's Role

REVENUE LOSS

Average annual revenue based on past 2 to 3 years

Percentage revenue decrease due to death or critical illness of key person

Number of years affected by loss of key person

Total revenue loss

RECRUITMENT & TRAINING

Recruiting costs - usually a percentage of first year compensation

Excess salary for successor above that of the key person

Number of years to pay excess salary out of cash flow

Training costs for successor

Total recruitment & training costs

DEBT & CREDIT CHARGES

Debt that may be demanded in full due to loss of the key person

Change to credit terms, e.g. 90 days to COD (total of 1 to 3 months purchases)

Increased cost of borrowing, e.g. total debt times 1% increase in borrowing rate

Number of years expected for higher borrowing rate

Total debt & credit charges

Estimated total key person funding

Future-proof your business in 3 steps:

1. Identify your key people

To identify your key people, think about those individuals that make your business tick. Do you have someone that brings a unique contribution? Someone that you rely on for your operations? Key people bring something special to your business, something you cannot easily replace.

2. Estimate the financial impact of losing your key people

Have you considered all the possible costs of losing a key person?



Replacing business income

Early on, replacements are likely to deliver lower business income compared to the key person you have lost.



Recruiting & Training new hires

New hires need to be trained to get up to speed, meaning increased costs during a period of lowered sales.

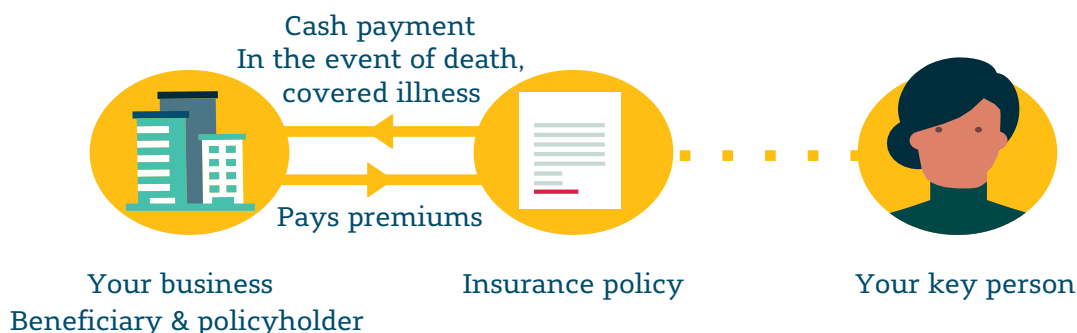


Dealing with credit restrictions

Losing a key person could mean recalled loans, lowered credit, or suppliers switching to cash on demand.

3. Talk to your insurance advisor to put a key person protection into place

Once you identify the risks associated with losing your key people, you can take steps to minimize the risks. Key person protection uses life and critical illness insurance policies to help you protect your business from the costs that result from death or critical illness of a key person. The insurance company takes on your financial risk, and you protect your finances.



Your business owns the insurance policy and pays the premiums. The policy is on the key person. If the key person dies or has a covered critical illness and survives the required waiting period, the policy benefit is paid to your company tax-free.