

# IT'S YOUR LIFE

## Can You Afford the Loss of a Key Employee?

If you're like most business owners, you have one or more go-to employees when it comes to the day-to-day operation of your company. They have the management skills, technical know-how, experience, or customer relationships upon which you rely — you trust them to make the right decisions when you're not available. They can be at any level or in any position, but they are people your business can't do without. Now that you have them on your team, what would happen if you were to lose one of them due to a premature death, long-term illness or disability, or another employment opportunity?

Fortunately, it's possible to offset the financial burdens your business may face as the result of the loss of a key employee. The first step is to identify them. In general, key employees are individuals whose departure could create genuine setbacks for the company, both logistically and financially. They may have years of experience with your company or the industry. Perhaps they have specialized skills that require extensive training and knowledge that would be difficult to replace. Is there someone for whom you don't have a back-up? Don't forget to include yourself — you are a key person too!

Once you have identified the people, consider the cost of replacing them. You will need to advertise to recruit potential replacements. You may need to adjust pay or offer a signing bonus to attract candidates with the skills and work experience you need. In addition to the monetary costs associated with hiring and training a replacement, the process will also require your time. It's estimated that the cost to replace mid- to high-level employees can range from one-and-a-half to four times their annual salary. Can your business absorb those costs, especially with little notice?

After you have determined the people and the cost, consider your options for mitigating the risks you could face. Life insurance is a cost-effective solution to help provide financial support if your company needs to replace a key employee. Life insurance can help to keep the business running and growing, provide funds to attract, recruit, and train a replacement, and replace lost profits. It can also provide time and flexibility for survivors to make necessary business continuation decisions if the key person is you or another owner. While the policy death benefit will provide a lump sum in the event of the insured employee's death, the cash value of a permanent policy can also be accessed through policy loans and withdrawals during the employee's lifetime.

Don't risk the short- and long-term success of your business by not planning for the loss of a key employee. Consider permanent life insurance on your most important team members as part of your overall risk management strategy.

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