



## Key Person Insurance Explained

What would be the impact on your business should one of your key people unexpectedly die or be unable to work because of illness or injury?

What effect would such a loss have on the viability and future profitability of your business?

### Who is a key person?

The term 'key person' refers to an employee or some other individual whose contribution to the success of the business is significant. In the absence of such an individual, the business profitability would be seriously affected. In this regard, an employee is a key person where the build up in skills, knowledge and experience is likely to be difficult to replicate or replace because that person's drive and vision are a major part of a firm's success.

### Examples of key persons include:

- \* Finance director
- \* Managing director
- \* Sales and / or Marketing manager
- \* Highly skilled technician
- \* A key supplier

### Insurance cover on a key person

To solve some of the issues that may arise out of a key person's death or disability, insurance coverage on a key person may be taken out for the following purposes:

- \* To provide protection of revenues, sales, profits or any other measure of economic performance
- \* To cover internal indebtedness
- \* To cover external indebtedness
- \* To cover liquidity needs

We can develop a business risk management strategy for you, designed to reduce the financial impact on your business, should your business suffer the death, serious injury or illness of a key person. In doing this, we would assist you to:

- \* Identify the need for key person insurance
- \* Calculate the necessary sum insured
- \* Decide on the correct policy ownership
- \* Decide whether or not a legal agreement is required to facilitate transfer of insurance claim proceeds
- \* Become aware of the issue of taxation implications of premium payments, and receipt of claim benefit payments

Michael Stephens has 10 years experience as a financial planner and has been working with GGIB since 2005. He holds a Bachelor of Applied Science, Graduate Diploma of Education, Master of Business Administration and Master of Financial Planning. Michael provides advice to clients on superannuation, retirement planning and personal risk insurances. Michael also works with business owners to develop a program to manage business risk in the areas of succession planning and the loss of a business keyperson.

Please call us now to find out how we can help you protect the ongoing viability of your business.



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