

## Questions Every Business Owner Should Ask

A simple way to uncover planning gaps around ownership, continuity, retirement, and income security.

<p><b>Your Business &amp; Your Exit</b></p> <ul style="list-style-type: none"> <li>• If you stepped away tomorrow, who would take over your business?</li> <li>• Do you know what your business is worth today? <ul style="list-style-type: none"> <li>• How do you envision transitioning ownership?</li> </ul> </li> <li>• Would your current plan create clarity or confusion?</li> </ul>	<p><b>Business Continuity</b></p> <ul style="list-style-type: none"> <li>• Who are the key people your business depends on? <ul style="list-style-type: none"> <li>• What would happen if one was no longer there?</li> </ul> </li> <li>• Would your business continue operating smoothly?</li> </ul>
<p><b>Retirement &amp; Income</b></p> <ul style="list-style-type: none"> <li>• Is your business a major part of your retirement plan? <ul style="list-style-type: none"> <li>• How will that income actually be realized?</li> </ul> </li> <li>• Would pulling money from the business create strain?</li> </ul>	

## Questions Every Individual Should Ask

**Celebrating 80 Years of Success**

<p><b>Family &amp; Legacy</b></p> <ul style="list-style-type: none"> <li>• How would your family be affected financially? <ul style="list-style-type: none"> <li>• Would they need to sell the business?</li> </ul> </li> <li>• Is there a plan for fairness among family members?</li> </ul>	<p><b>Personal Protection</b></p> <ul style="list-style-type: none"> <li>• When was the last time you reviewed your coverage?</li> <li>• How long could your family maintain their lifestyle? <ul style="list-style-type: none"> <li>• Do you have disability coverage in place?</li> </ul> </li> </ul>
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# Business Planning Question Framework

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Use these questions to uncover planning gaps and identify opportunities across business and personal planning.

## Opportunity Signals

- No updated valuation → Business Valuation / Buy-Sell
  - Key person risk → Key Person Life / Disability
- Business = retirement → Exit Planning / Income Strategies
- Family liquidity concern → Estate Planning / Life Insurance
  - No disability coverage → Disability Insurance / BOE

## Key Questions to Ask

- Do you know what your business is worth today?
  - Who takes over if you exit the business?
    - What happens if a key person is lost?
  - How is your retirement income being created?
    - What protection exists for your family?

## Conversation Flow

- Start with exit and valuation questions
- Move to risk exposure (key person / continuity)
  - Transition to family and legacy impact
- Position solutions only after clarity is established

## Close Strategy

- If even one answer is unclear, position a review
  - Keep the conversation discovery-based
    - Lead with risk, close with clarity

**CALL US WITH YOUR NEXT CASE!**

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## CASE STUDY

# Group LTD and IDI team up to help protect more income.

**Executives of one company faced an income-protection gap.** See how one financial professional helped the employer achieve a successful outcome by supplementing the executives' group long-term disability (LTD) coverage with individual Disability Income (DI) insurance from Principal®.

## CLIENT PROFILE

- Healthcare company
- 400+ employees
- Group LTD for all employees—60% of base income covered up to \$15,000 a month
- 14 executives:
  - › Earn more than the monthly LTD cap
  - › Have earned income that's not considered base income (i.e., bonus and other incentive compensation)

## The challenge—need more income protection.

For the employer's 14 executives, the \$15,000 a month of LTD coverage provided a good foundation of income protection. But as their income increased above this monthly cap, their income-replacement ratio decreased. For example, consider an executive who earns \$480,000 a year (\$40,000 a month). With group LTD, the \$15,000 a month benefit protects just 38% of their annual salary before taxes.

## The solution—group LTD and DI work together.

The employer wanted to protect more of their 14 executives' total salary. To help do this, the financial professional saw an opportunity for the employer to supplement the current employer-paid LTD coverage with up to \$10,000 a month of employer-paid DI insurance. These two products worked well together to help increase the total income-replacement ratio up to 60% for each of the executives.

And the DI policy will stay with each executive even if they change employers. If this happens, the executive will pay the premium for the individual DI coverage going forward.

## Sales idea

Illustrate the income-replacement ratio challenge with employers and business owners using the “Compare the coverage” flyer (JJ1707). It shows a sample census with the income-replacement ratio for group LTD alone and when paired with individual DI.

Group and individual disability insurance

**Compare the coverage**

These charts show how much more income protection highly compensated employees can receive when individual Disability Income (DI) insurance is added to a group long-term disability (LTD) insurance offering.

**Without individual DI insurance**

Role	Annual base salary	Annual bonus	Total annual compensation	Group LTD monthly benefit	Individual DI monthly benefit	Percentage of salary replaced
CEO	\$2,000,000	\$1,000,000	\$3,000,000	\$15,000	\$0	50%
Sr VP	\$1,100,000	\$100,000	\$1,200,000	\$6,000	\$0	50%
VP	\$500,000	\$75,000	\$575,000	\$3,000	\$0	50%
Manager	\$150,000	\$22,500	\$172,500	\$8,750	\$0	50%
Average	\$825,000	\$123,750	\$948,750	\$32,400	\$0	50%

**With individual DI insurance**

Role	Annual base salary	Annual bonus	Total annual compensation	Group LTD monthly benefit	Individual DI monthly benefit	Percentage of salary replaced
CEO	\$2,000,000	\$1,000,000	\$3,000,000	\$15,000	\$11,775	75%
Sr VP	\$1,100,000	\$100,000	\$1,200,000	\$6,000	\$4,500	75%
VP	\$500,000	\$75,000	\$575,000	\$3,000	\$2,250	75%
Manager	\$150,000	\$22,500	\$172,500	\$8,750	\$6,563	75%
Average	\$825,000	\$123,750	\$948,750	\$32,400	\$11,175	75%

\* Salaries shown are for \$1,000,000 a month of benefits. No buy-back period. See page 65, benefits period, benefits eligibility and long-term disability. These amounts are for illustrative purposes only.

## Approach tips

Take advantage of similar opportunities to help employers and business owners protect more of their highly compensated employees’ income by adding DI. Look for new and existing clients with the following profile:

- Five or more key employees, ages 55 and under, working 30+ hours a week
- Interest in recruiting and retaining their top talent
- Other disability insurance products with you

 Let's connect

Contact your local representative.



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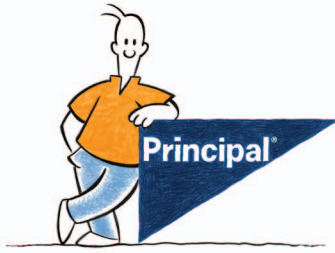
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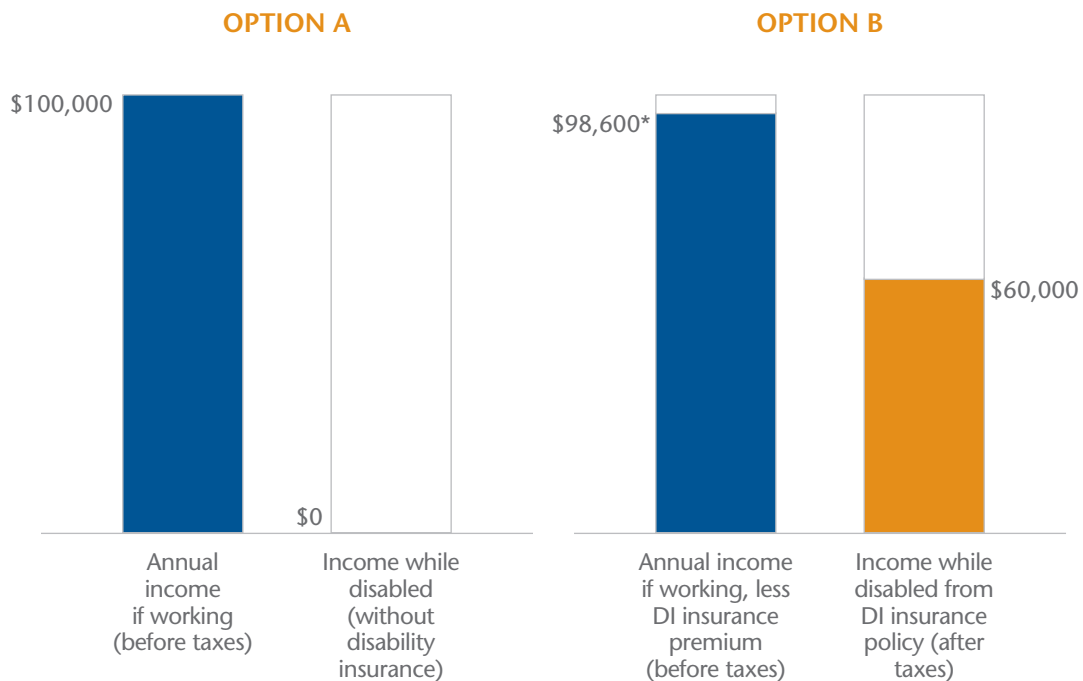
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## Income Protection

# Which Option Would You Choose?



### Which job would you rather have?

For a small percentage of your salary, Principal Life can help replace a portion of your income and help protect what it provides if you become too sick or hurt to work.

\*\$100,000 less \$1,400 in hypothetical annual disability income insurance premiums. Premiums and \$5,000 monthly benefit amount depend on various factors. Your local representative can illustrate the exact amount you are eligible for based on current underwriting guidelines. This is a hypothetical example only.

**FOR MORE INFORMATION**

Contact your local representative.



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