

Business Owner Life-stage Design

Financial
Professional

TAKE **BOLD** ACTION TO ADVANCE YOUR CLIENT'S BUSINESS



Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Both companies are headquartered in Saint Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

Financial security
for the long run®



BOLDLY protecting businesses and their owners

Life insurance can benefit business owners in every phase of business and life. Your business owner clients need a strong carrier they can trust to provide quality solutions that help address their needs now and in the years ahead.

As Securian Financial Group companies, Minnesota Life and Securian Life are part of one of the nation's largest and strongest life insurance providers. Learn why millions of clients and thousands of financial professionals trust us to help protect what matters most. Call your Life Sales Support Team today.

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A decorative graphic at the top of the page features a large grey arrow pointing right, a blue circle with a blue arrow pointing right, and a smaller grey circle with a grey arrow pointing right. A large grey arc curves across the background.

DON'T OVERLOOK THE CLIENTS RIGHT IN FRONT OF YOU

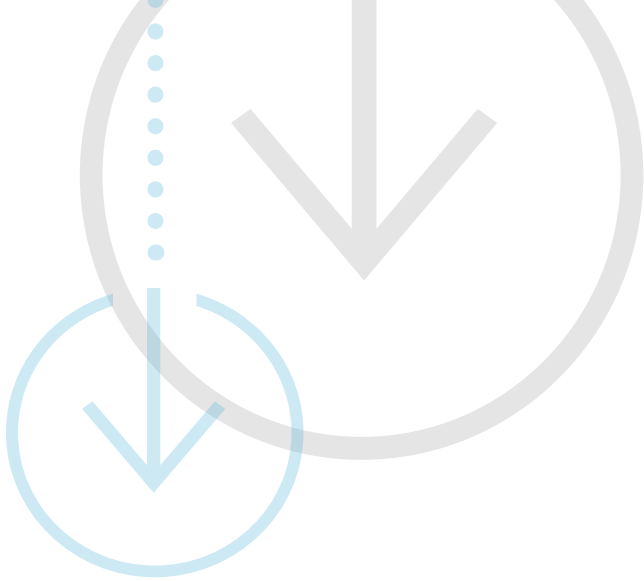
You interact with them every day – on your way to work, at the gym or out on the town. Small business owners are everywhere – and they need your help with:

Immediate concerns:

1. Growing their business
2. Retaining key people
3. Attracting top talent

Future needs:

1. Saving enough for retirement
2. Eventually selling the business for maximum value
3. Maximizing and efficiently transferring the value of their estate



TAKE BOLD ACTION to maximize sales in the business owner market

Securian has developed a turnkey marketing system, Business Owner Life-stage Design (BOLD) to address these needs and concerns. It offers everything you need to help you succeed in the business owner market, including:

1. **BOLD action steps** to understand business owners' needs, guide you to solutions and present them to clients.
2. **A life insurance-focused approach** that also incorporates other products.
3. **An integrated sales process** offering support before, during and after the sale.

BOLD ALIGNS WITH BUSINESS OWNERS' CONCERNS

In 2015, Securian Financial Group surveyed small business owners to identify their level of concern regarding:

- Business growth and financing.
- Key employee retention.
- Cash flow management.
- Sale/transfer of the business.

The survey sought to:

- Benchmark the type of benefits required in the business life stages.
- Understand small business owners' preparedness with regard to exiting their business.
- Confirm how the BOLD strategy reflects the needs and concerns of small business owners.

Business owners rated their top concerns:¹

1. Business growth – 55%
2. Retention of key employees – 47%
3. Recruiting top talent – 46%
4. Cash flow management – 43%
5. Financing future growth – 41%
6. Sale or transfer of business – 29%

Getting started

BOLD starts with your client's current state of affairs and ends when the business owner exits the business. In order to properly implement the BOLD strategies, business owners answer questions regarding their stakeholders, current situation and timeline, their desired direction and implementation of the proper BOLD strategy.

➔ **ACTION** step 1: Identify who's involved

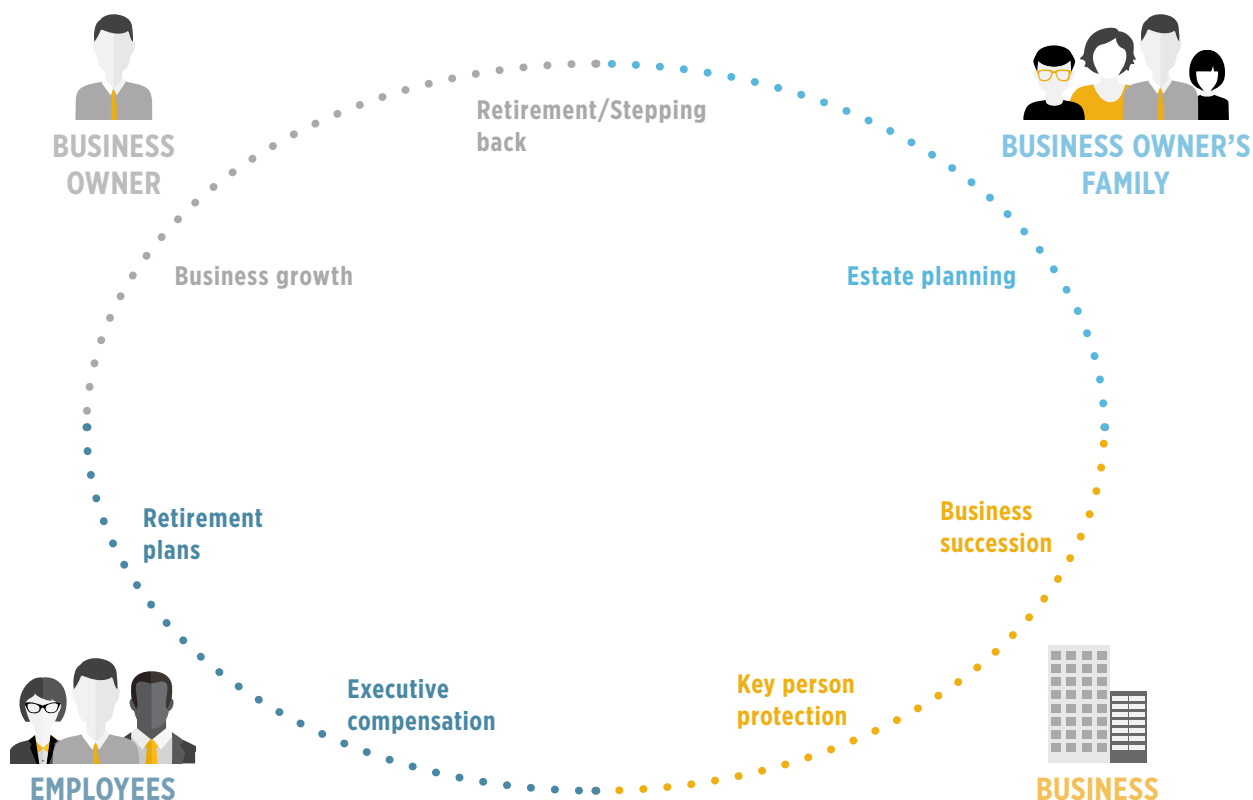
All small business owners have both business and personal stakeholders:



First, you must identify who will design and implement the BOLD strategy, as well as the stakeholders who will be impacted.

➔ **ACTION** step 2: Analyze the current situation

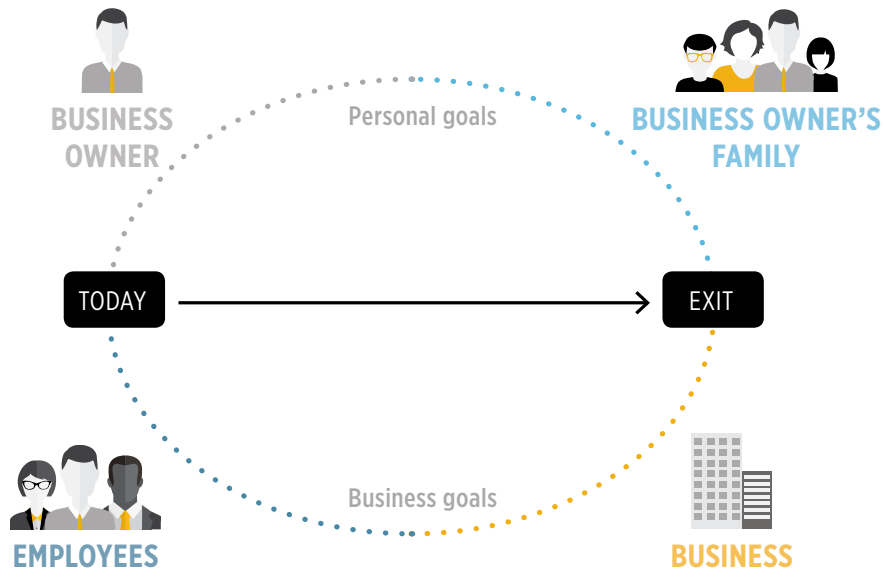
Next, you need to understand your client's current business and personal life-stages. This includes discussing existing strategies within six areas of concern – all of which are tied to the business's growth:



No matter what, the final destination is always exit from the business either during life or at death.

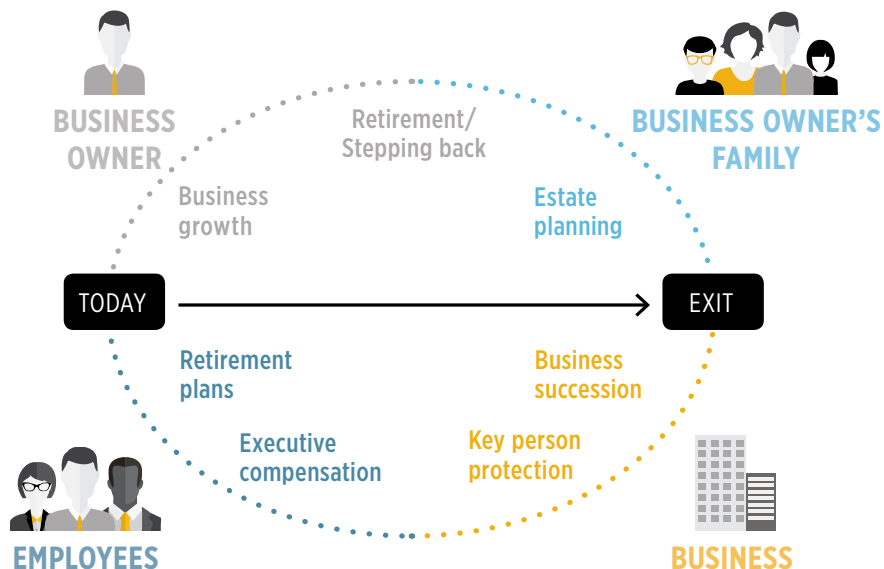
➔ ACTION step 3: Determine the business owner's direction

Business owners must balance family needs and desires with business and employee needs and desires at every life-stage of ownership. **There are two main directions the business owner can take: personal or business goals.** A complete BOLD strategy will explore both directions.



➔ ACTION step 4: Choose BOLD priorities

Once you've identified your client's top priority, you can help the business owner choose which personal or business priority to address first:

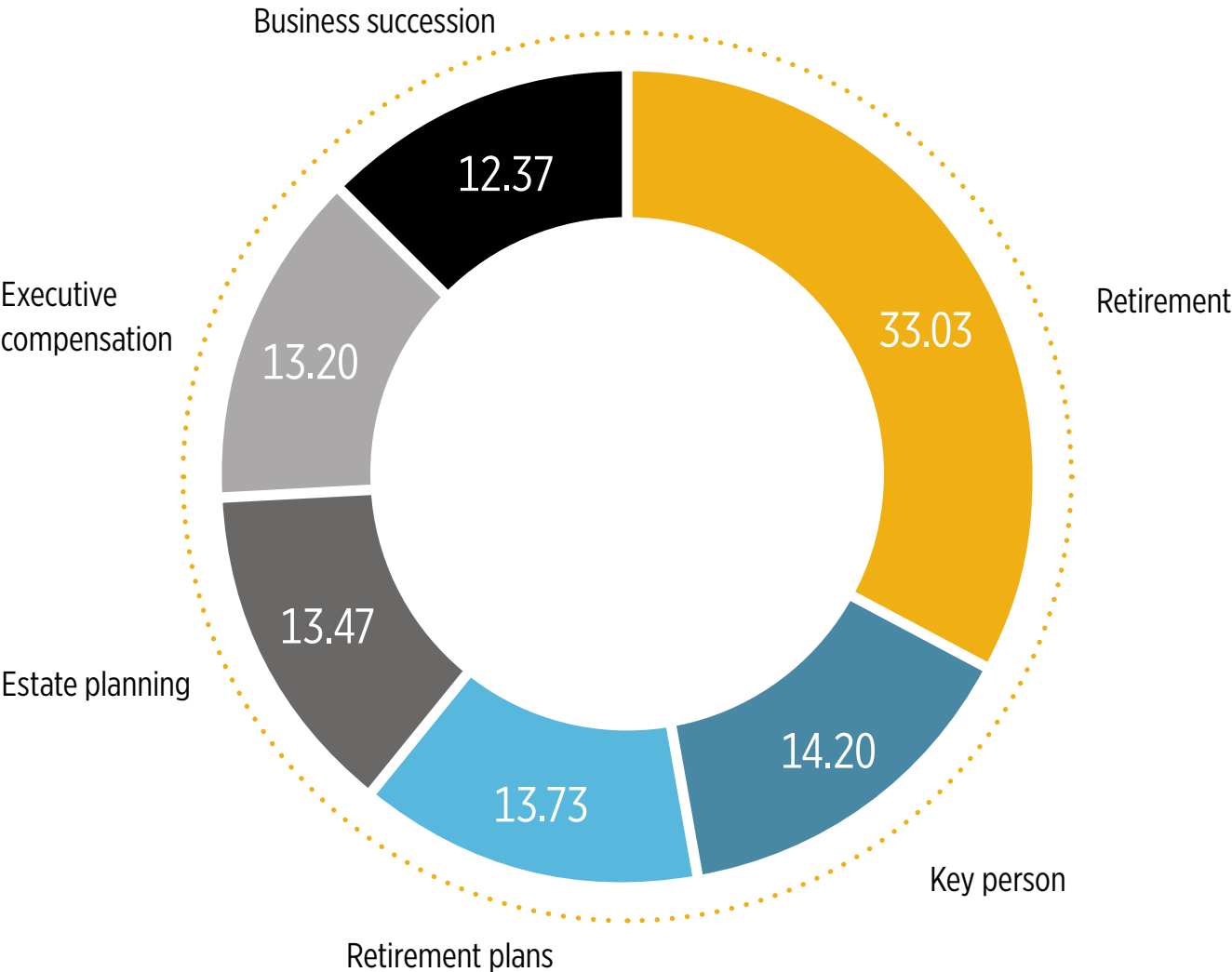


While BOLD encompasses a wide range of goals and strategies, it allows you to focus on one area to make strategizing and implementing solutions more manageable.

BOLD priorities important to business owners

Using the BOLD approach as a framework for the 2015 Small Business Owner Life-stage survey, we asked participants to allocate a total of 100 points to these concerns:

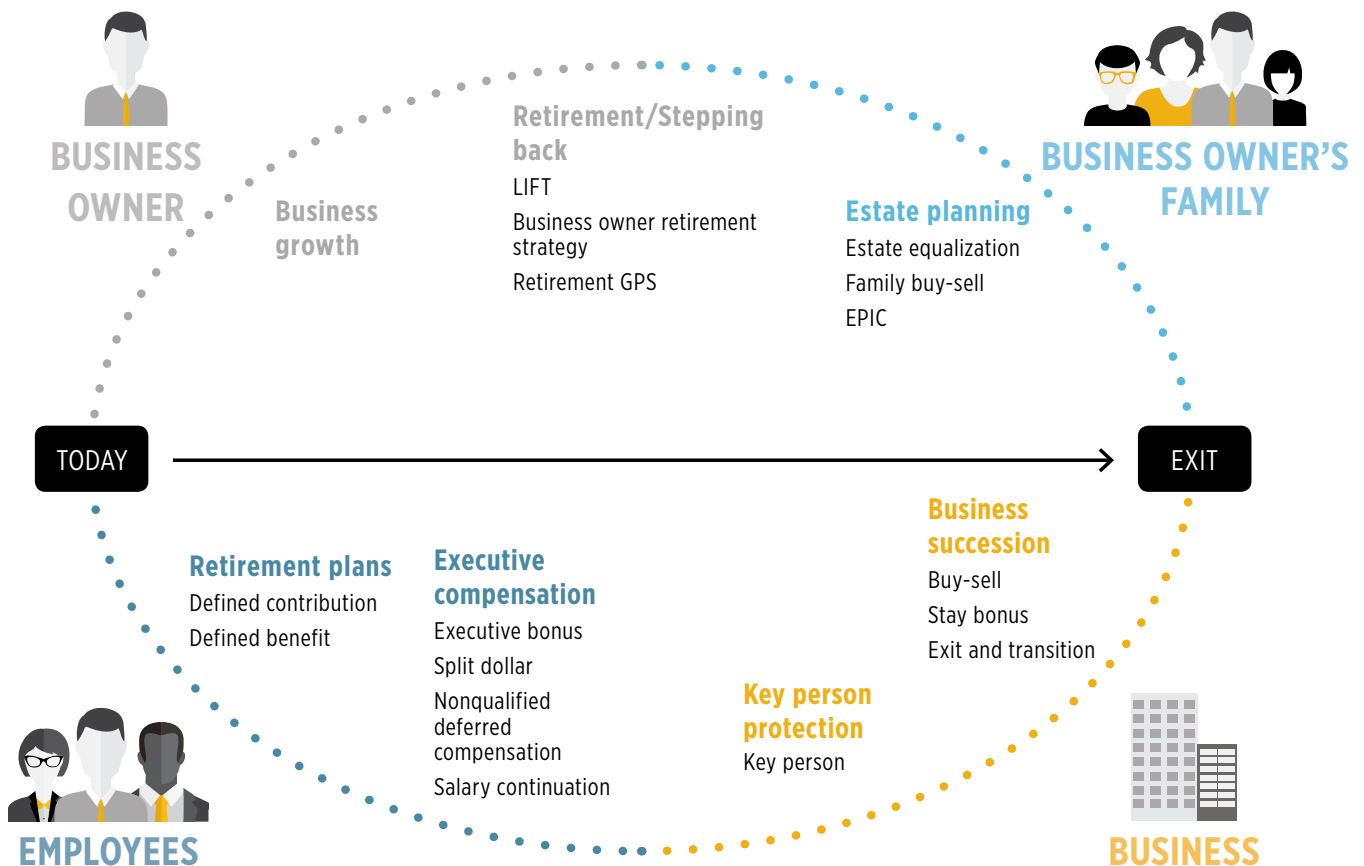
Personal, employee and business goals¹



Our survey confirms that the ultimate and most important goal of all business owners is to eventually retire. How comfortable they live in retirement depends on the success of the other five BOLD strategies.

Using the **BOLD** tools

BOLD offers six questionnaires to help you collect the information necessary to design strategies that help address your clients' concerns and priorities. A key question on each questionnaire frames the course of action for your clients. Responses to each questionnaire will guide you to the appropriate products and marketing resources to help present these solution(s) to your clients:



Initial BOLD Questionnaire

Start your clients down a course of action right out of the box with the **Initial BOLD Questionnaire (F79732)**. This will help you gain understanding of their business profile and prioritize their concerns.

The basic information requested will help you start building the business profile. The number of owners and employees, as well as any family relationship will paint a picture of the business:

Executive

Business name: _____ **Business owner name:** _____
Number of owners: _____ **Number of employees:** _____

The type of business entity - and its tax treatment - will help you better determine the strategies you may recommend:

Ownership

Name	Ownership percentage	Age	Family relationship

Type of business entity:

- Sole proprietorship
- Partnership
- LLC taxed as a partnership
- LLC taxed as a corporation
- C corporation
- Professional corporation C corporation
- S corporation
- Professional corporation S corporation

Additional financial information will be useful in the BOLD process. This section potentially positions you to offer an informal, complimentary **business valuation**. Personal information will be useful for **retirement income** strategies as well as **estate planning**:

Financials

How many years has the business been in operation? _____

Business tax rate? (Enter owner's tax rate if business is taxed as a flow-through entity.) _____%

What is the approximate current value of the business? _____

Has the business ever been appraised? Yes No If yes, when? _____

Personal information

Marital status Single Married

Number of children: _____ **Any children from a previous marriage?** Yes No

Approximate net worth: _____ **Personal tax rate:** _____

Whether the next section is answered or not, it provides useful information. Most business owners may step back from the business somewhat, if not retire altogether. And all business owners will eventually leave the business entirely. However, many owners fail to prepare for this eventuality. This gives you the opportunity to talk about **retirement** and **exit strategies** that the business owner may not have considered:

Retirement and or exit from the business

When would you like to retire (if ever)? _____

When do you want to transition out of the business? _____

To whom do you want to transition the business? _____

The last section of the Initial Questionnaire asks targeted questions about the business, employees and personal goals. Business owners rank each of these categories in order of importance - 1 through 6:

Part two: BOLD priorities

Answer the questions below, then rank their level of importance to you (1 = most important, 6 = least important).

Stakeholder	Objective	Answer	Ranking of importance
Personal	Retirement/Stepping back Have you saved enough to maintain your lifestyle and become independent of the business?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	Estate planning Can you successfully transfer the assets you have worked a lifetime to accumulate?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Employees	Retirement plans Does your qualified retirement plan complement your business objectives?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	Executive compensation Have you created strategies to recruit, reward and retain key employees?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Business protection	Key person If a key employee dies, will the business suffer financially?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	Business succession Have steps been identified to transfer the business to others at a fair price?	<input type="checkbox"/> Yes <input type="checkbox"/> No	

- The BOLD campaign features additional, follow-up questionnaires. Be sure to keep at least one of each on hand during your initial visit to start taking action on your client’s top priority.
- In subsequent client meetings, you can work on completing other questionnaires while presenting your BOLD solutions for the previously identified priorities.

Retirement income strategies/stepping back

FINANCIAL TOOLS

- Life insurance
- Annuities
- Investments
- Qualified retirement plans

Key question

Have business owners saved enough to maintain their lifestyle and become independent of the business?

According to our Small Business Owner Life-stage Study, retirement is the number one priority for business owners – and a majority (52 percent) intends to retire within the next 2-10 years.¹

Retirement Income Questionnaire

The **BOLD Retirement Income Questionnaire (F79732-50)** helps you understand if, when, and to what extent your clients intend to retire. It also helps you identify any assets clients have accumulated for retirement.

Keep in mind that some people simply won't retire. These individuals may step back from most of the business's operations but will remain involved to some extent. The income they receive from continuing to work for the business may reduce their retirement income needs.

Do you plan on “stepping back,” or reducing your responsibilities for the business?

Yes No If so, at what age? _____

Do you plan on retiring? Yes No If so, at what age? _____

The next two questions shed light on the potential tax picture and impact on the client's **retirement income gap**:

How will you spend your time in retirement?

Retirement brings more freedom when it comes to how you'll spend your time. Will you volunteer? Work part-time? Travel? Spend time in leisure or family-related activities? Retirement can be a fulfilling time devoted to your passions, hobbies and other pursuits. How you spend your time can have a significant impact on your retirement finances.

Where will you live in retirement?

Will you stay put? Move cross country to be closer to family? Are you considering purchasing a second home? Downsizing? When considering a move, many retirees carefully weigh the lifestyle benefits of a new climate or location with the income tax treatment of their home in the state where they choose to reside.

RETIREMENT INCOME GAP

Your clients may have a retirement income gap if their desired retirement income is greater than what will be provided by their available assets. Your objective is to fill that income gap as tax efficiently as possible.

The following question will help you determine if there might be additional solutions you can bring to the table. First and foremost of these fears could be **long-term care** costs:

What are your fears for your retirement years?

In order to begin offering solutions for your clients' retirement, you should have them estimate:

- Their retirement income gap.
- The amount they are setting aside for retirement goals, further broken down by **capital assets, retirement income assets and tax-preferred assets.**



ESTIMATE THE FOLLOWING:

Monthly retirement income needs (food, shelter, medical, etc.)	
Plus monthly retirement wants (vacations, hobbies, etc.)	+
Desired retirement income	=
Required income (Social Security, RMD's, pensions, etc.)	-
Retirement income gap	=

How much are you setting aside per month to meet your retirement goals?

Capital assets	Retirement income assets	Tax-preferred assets

And finally, have them provide an estimated inventory of these types of assets to help you determine their current retirement situation:

Capital assets

Business value \$ _____

Personal residence \$ _____

Other real estate \$ _____

Checking and savings \$ _____

Investments \$ _____

Other \$ _____

TOTAL \$ _____

Retirement income assets

Qualified plan assets \$ _____

IRAs \$ _____

Annuities \$ _____

Other \$ _____

TOTAL \$ _____

Tax-preferred assets

Roth IRAs \$ _____

Life insurance cash value \$ _____

Municipal bonds \$ _____

Other \$ _____

TOTAL \$ _____

Using this information you will be able to optimize your clients' use of their assets to help maximize their retirement income and minimize taxes.

Life insurance sales opportunities

Business owner retirement strategy

Tax consequences for executive compensation strategies are very different for business owners compared to their key employees:

- For owners, any salary or bonus deferral into a nonqualified deferred compensation plan simply increases the taxable revenue of the company.
- The owner still pays income tax on that deferral in the form of taxable revenue.

Learn how you can address these issues by using life insurance as part of business owners' overall retirement strategy:

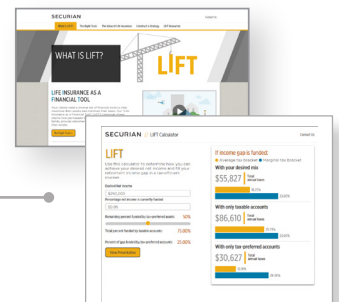
- [Business Owner Retirement Strategy Business Profile \(F71834-117\)](#)
- [Business Owner Retirement Strategy Client Flyer \(F71834-116\)](#)

Life Insurance as a Financial Tool (LIFT)

No tool can solve every problem. Our “Life Insurance as a Financial Tool,” or “LIFT” campaign, positions you to show business owners why they should consider a variety of tools for their retirement strategy – especially permanent life insurance. LIFT helps you demonstrate how life insurance can:

- Help business owners protect their families and their assets during their working years.
- Become a source of supplemental retirement funds that can help clients:
 - Fill their retirement income gap.
 - Decrease taxable income in retirement.
 - Transfer their financial legacy to their family.

Learn more about using life insurance as a retirement income tool. View our full suite of LIFT campaign materials, including a retirement income optimization calculator, by visiting our microsite: securian.com/LIFT



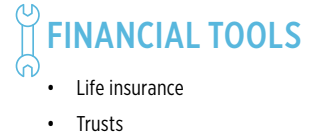
Keep your clients' dreams on course with Retirement GPS

Retirement GPS – Keeping your dreams on course®, is a retirement income campaign from Securian Financial Group and its affiliates. This campaign provides educational tools, resources and support to help clients understand personal and financial issues related to their retirement, and help you develop a strategy to address them.

To learn how you can build a retirement income practice with the Retirement GPS campaign, call the Securian Annuities Sales Desk at 1-866-335-7355. Or visit our Retirement GPS consumer microsite at securian.com/retirementGPS



Estate planning



KEY QUESTION

How can business owners successfully transfer the assets they have worked a lifetime to accumulate?

In our recent study, half of business owners felt diversifying their net worth between business and non-business assets was their highest estate planning concern.¹ Business owners also expressed concern about asset protection issues, using life insurance trusts in their estate planning, setting transfer stipulations and creating a legacy for multiple generations.

Estate Planning Questionnaire

There are four parts to the **BOLD Estate Planning Questionnaire (F79732-2)**:

1. Personal information about your client's family and their connection to the business, as well as your client's net worth:

Personal information

Marital status: Single Married

Number of children: _____ Any children from a previous marriage? Yes No

Approximate net worth: _____

Is it important that your children maintain some connection to the operation? Yes No

2. What should happen upon the first death (if married):

Upon the first death – survivor needs (if married)

Surviving spouse or partner

Please check all that are concerns:

Income replacement Remarriage protection Creditor protection

Do you want amounts going to the surviving spouse protected or given outright?

I want to protect and specify how my assets are distributed.

I want all my assets to go directly to my spouse.

These questions discuss survivor needs. If the client is a single person, this part of the questionnaire does not apply. Please note: if spouses disagree on their answers, have each spouse complete a separate questionnaire.

- **Income replacement** – if one spouse dies, does the other spouse have concerns about replacing the deceased spouse’s income? Single life insurance policies on each spouse can provide a solution to this concern.
- **Remarriage protection** – does either spouse have concerns about the surviving spouse remarrying?
- **Creditor protection** – does either spouse have concerns about protecting the surviving spouse’s assets from future creditors?
- **Distribution protection** – does the spouse want to control how assets are distributed?

Trusts can be a solution for the latter three concerns. For distribution protection, credit shelter and marital trusts may be ideal. A marital trust can help ensure outright transfer of everything to the surviving spouse.

3. What should happen when both spouses have died:

After you are both gone

Descendants

Total amounts going to your descendants: _____ % or \$ _____

Do you want amounts going to your descendants protected, structured distributions or given outright?

Check one:

- I want to protect and specify how assets are distributed to my descendants and how they may be used.
- I want assets to be distributed according to a specific schedule.
- I want assets to go directly to my descendants.

- If your client selects the **first option**, a beneficiary limited access trust may help the client protect and control how assets are distributed.
- If your client selects the **second option**, consider recommending a life insurance policy rider that will distribute the death benefit on a pre-determined schedule.
- If your client selects the **third option**, additional estate planning may not be necessary.

The client then has the opportunity to express further concerns regarding transferring assets to their descendants:

Please check all that are concerns:

- Spending protection** (such as preventing descendants from spending assets too quickly)
- Special needs** (financial or medical; may include guidance for care and use of assets)
- Divorce protection** (such as protecting assets for your descendants)
- Blended family concerns** (such as plans to help ensure descendants are treated equitably)
- Creditor protection** (strategies for placing assets beyond the reach of future creditors)

If your client selects any of these options, **trusts** may be a solution.

The last section in this section focuses on your clients' charitable giving:

Community

Amounts going to your community _____ % or \$ _____

Which organizations? _____

Refer to wealth replacement techniques in the **EPIC Advisor Guide (F81291-2)** and **EPIC Tools Advisor Guide (F81291-11)** for possible strategies to maximize your clients' estates and charitable gifts to their communities.

4. Transitioning the business:

Business

To whom do you want to transition the business?

- Unrelated third party
- Family member - child or other
- Key employee
- Other: _____
- Not sure
- No one. I will wind down the business.

When do you want to transition out of the operation?

- During lifetime At what age? _____
- At death
- Not sure

How do you want to transition?

- Sell
- Bonus
- Gift
- Other: _____

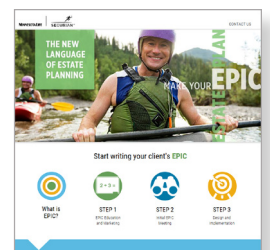
The questionnaire concludes with transitioning the business. Although business owners may not know the answers to these questions, you can help them start thinking about **business succession and transition strategies**.

Life insurance sales opportunities

EPIC: The new language of estate planning

Estate Planning, Individually Centered (EPIC) helps you develop estate transfer strategies that begin with your client.

Visit our microsite at securian.com/EPIC to learn how permanent life insurance can help maximize their assets in life *and* at death.



Retirement plans

FINANCIAL TOOLS

- Qualified retirement plan
- Broker-dealer
- Life insurance

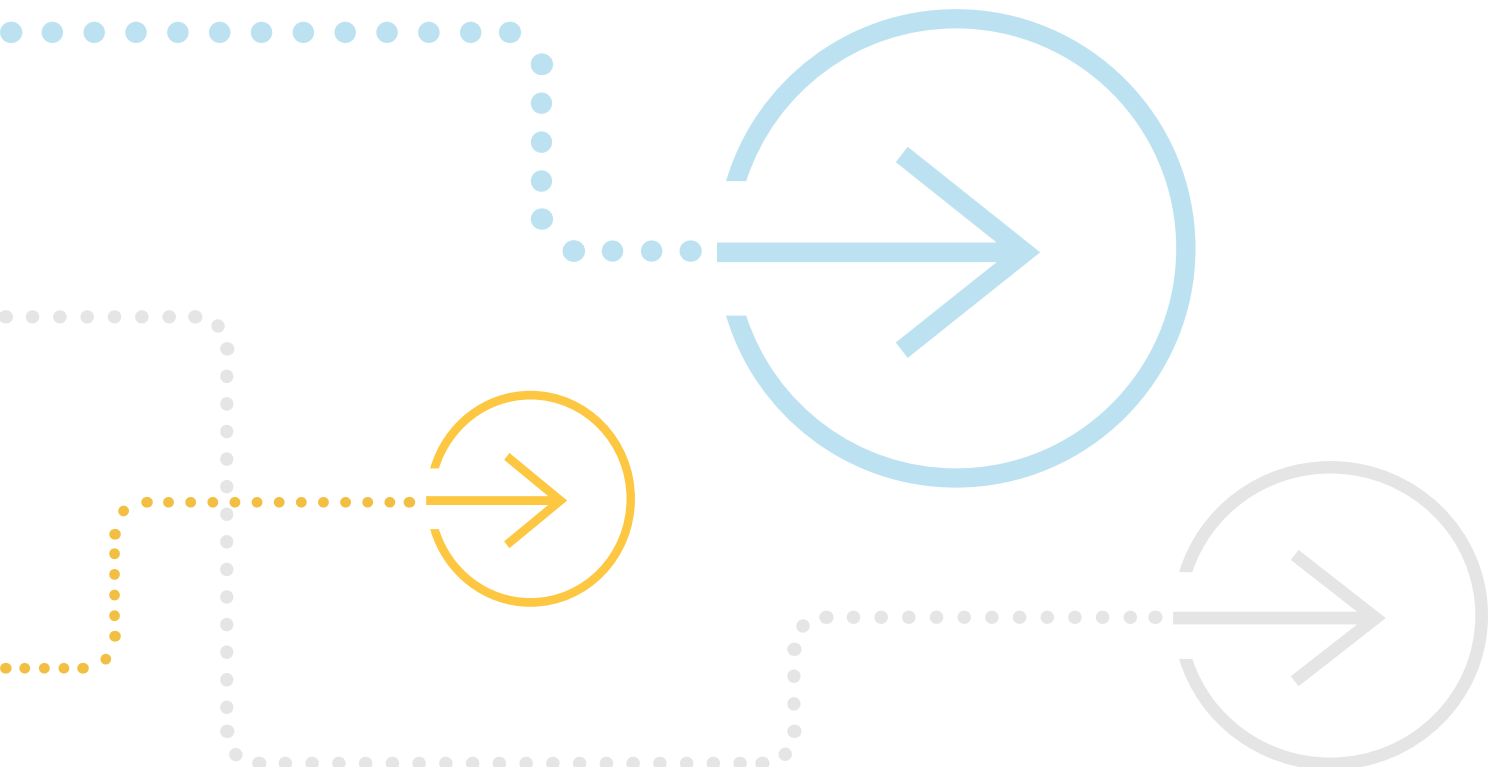
KEY QUESTION

Does the business's qualified retirement plan complement the business owner's business objectives?

Securian Retirement's highly flexible approach to retirement plans allows you to provide customized solutions designed around employer goals, budgets and employee demographics.

- The Securian Signature Series® offers conflict-free investment choices along with ERISA 3(21) coverage.
- Employers requiring greater investment choices can utilize an open architecture platform.
- Sales specialists provide expertise with new prospects while servicing representatives assist with helping clients meet their long-term needs. Both bundled and unbundled platforms are available.

CONTACT Securian Retirement at 1-877-876-4015 to start creating retirement plans that help meet your clients' distinctive needs.



Executive compensation

FINANCIAL TOOLS

- Life insurance
- Investments

KEY QUESTION

Has the business implemented strategies to recruit, reward and retain key employees?

Business owners want to recruit and retain top executives who are instrumental in meeting their growth. Overwhelmingly, business owners reward and incent these individuals with cash bonuses; however, those dollars could provide more options in executive compensation programs that employ life insurance.

Our multi-life program

offers multiple underwriting solutions that allow for a variety of pricing and design choices to help meet your clients' executive benefit business needs.

Executive Compensation Questionnaire

The **BOLD Executive Compensation Questionnaire (F79732-3)** starts with questions specifically about the executive, which are meant to help you identify:

- Certain information about the key employee.
- Whether the executive is highly compensated/upper management.
- If the executive is a candidate to whom the business could be transferred. (If so, review the executive bonus, golden executive bonus arrangement, and exit and transition strategies found in the **BOLD Executive Compensation Advisor Guide (F79732-53)**.)

Executive

Name: _____

Current position: _____ Current salary: _____

DOB: _____ Retirement age: _____

Is this executive a candidate to whom you would potentially transfer the business? Yes No

This first question defines the benefit the business owner is looking to provide for the executive:

Directional questions

What type of benefit for the executive?

Death benefit protection Retirement income Both

- **Death benefit** protection means providing part or all of a life insurance death benefit for the executive.
- **Retirement income** means providing a source of funds for the executive's retirement needs.
- **Most strategies provide both** a life insurance death benefit and retirement income, but the taxation and amount of benefit vary between strategies. In order to determine the appropriate strategy, ask the business owner which benefit is more important (death benefit versus retirement income).

The source of funding and nature of the retention effort will help determine which executive compensation strategy is most appropriate:

What is the primary motivation for exploring an executive compensation strategy?

Type of benefit	Choose one option
Death benefit protection	<input type="checkbox"/> Providing a death benefit solely paid to the business upon key employee's death <input type="checkbox"/> Providing a death benefit solely paid to employee's beneficiary(ies) upon key employee's death <input type="checkbox"/> Sharing death benefit proceeds, where a portion goes to both the business and key employee's beneficiary(ies)
Retirement income	<input type="checkbox"/> Providing the employee tax-preferred income during retirement/ providing the business a current tax deduction <input type="checkbox"/> Providing the employee current tax deferral/ providing the business a future tax deduction

The dollars to fund this strategy should come from: (check only one)

- The business only
- Key employees only
- Mostly key employees

Which will better serve your key executive retention efforts? (check only one)

- Employee's perception of value in the benefit
- Golden "handcuff" or vesting schedule

If the business owner is looking for **cost recovery**, review the strategies where the employer and the employee share in the death benefit:

Is it important for the business to recover some or all of the program costs in the future? Yes No

Existing strategies provide an opportunity to offer a review of the benefit program:

Existing strategy

Does your company currently offer an executive benefit program to key employees? Yes No

If yes, please check all types that apply:

- Executive bonus
- Golden executive bonus arrangement
- Golden executive match
- Split dollar
- Non-qualified deferred compensation
- Supplemental executive retirement benefits
- Other _____

When was it last reviewed? _____

Are you interested in a complimentary review of your existing executive benefit program? Yes No

Life insurance sales opportunities

Once you better understand the business owner's executive compensation needs, review the strategies listed below. For more information, please refer to the **BOLD Executive Compensation Advisor Guide (F79732-53)**.

1. Executive bonus strategy and tools

An **executive bonus strategy** revolves around the employee's owning a life insurance policy.² Premiums are paid with yearly bonuses from the employer to the employee.

2. Split-dollar strategy and tools

Split-dollar strategies split the life insurance policy costs and benefits between the employer and employee:

- **Employees** maintain more affordable death benefit coverage during their time working for the employer.
- **Employers** receive a benefit with possible cost recovery and greater control over the life insurance policy.

3. Nonqualified deferred compensation strategy and tools

Nonqualified deferred compensation (NQDC) is an unsecured and unfunded promise to pay a future benefit for a select group of management or highly compensated employees. It is subject to both IRC §409A and ERISA limitations. There are two parts to the NQDC:

1. The employer and employees agree to defer a portion of the compensation to some point in the future (i.e., retirement).
2. The employer informally funds this future promise to pay benefits.

Employers can choose a number of different financial instruments to informally fund the NQDC plan. For some employers, **life insurance can be an attractive option**. Because its cash value grows tax-deferred, the employee can access cash value in a tax-advantaged manner, and the death benefit can be tax-free.³

4. Salary continuation strategies

A **salary continuation** plan is a corporate-sponsored benefit generally designed to replace an executive's income in the event of his or her death, retirement or disability. The benefit plan is exempt from ERISA and must be confined to a select group of highly compensated people. Because it is exempt from ERISA and is a nonqualified benefit, the company may decide which executives participate and their level of benefit. For example, the CEO might have 100 percent of his salary replaced by the plan, while other executives may have a smaller percentage of their income replaced.

Key person

KEY QUESTION

If a key person dies, will the business suffer financially?

In our survey, 70 percent of business owners recognize that key employees are instrumental to the company's success. Female-owned businesses and those with two or more owners are particularly aware of these contributions and may have greater desire to create reward and retention strategies.

Key Person Questionnaire

This first question in the **BOLD Key Person Questionnaire (F79732-4)** helps the business owner identify the key person's strengths and skills:

Directional questions (answer for each key person)

Which of the following would be impacted by the death of a key person?

- | | |
|--|---|
| <input type="checkbox"/> Client/customer relationships | <input type="checkbox"/> Specialized skills |
| <input type="checkbox"/> Management of the business | <input type="checkbox"/> Sales |
| <input type="checkbox"/> Industry knowledge | <input type="checkbox"/> Other _____ |

- **If client/consumer relationships and management of the business** are checked, the key employee may be someone to whom the business owner would want to transition the business.
- **If industry knowledge and/or specialized skills** are checked, your discussions may focus on costs to train and/or hire a replacement. Individuals with these characteristics would be less likely to seek to one day own the company.

The next question asks business owners to quantify the key employee's value to the business:

What would it cost to replace a key employee or the revenue he or she generates? \$ _____

Many businesses have not done this. This could be an opportunity for you to work with the business owner to determine this value.

Having answered the previous question about the employee’s value, the questionnaire follows up by making the case for using permanent, cash value life insurance policies:

The key person death benefit coverage will be:

All for the business – nothing to key person

Split coverage for both business and key person (_____ % business _____ % key person)

Will the key person coverage be combined with an informally funded executive benefit? Yes No

- If **split coverage for both business and key person** is checked, review endorsement split dollar or protection SERP strategies from the **BOLD Executive Compensation Advisor Guide (F79732-53)**.
- If it will be combined with an **informally funded executive benefit**, review the nonqualified deferred compensation strategies from the **BOLD Executive Compensation Advisor Guide**.

Finally, the questionnaire asks the business owner to identify any existing insurance coverage, while setting the stage for you to offer a complimentary review of your client’s existing key person coverage:

Existing key person coverage

Does your company currently have any key person insurance coverage? Yes No

If yes, please fill in the following:

Key person name	Insurance company	Type of life insurance	Premium	Death benefit

When was it last reviewed? _____

Are you interested in a complimentary, no obligation review of your existing coverage? Yes No

Life insurance sales opportunities

Key person

Key employee life insurance is a life insurance policy:

- Owned by and payable to a company.²
- Insuring the life or lives of employees whose death would cause significant economic loss to the business; upon whose skills, talents, experience, or business or personal contacts the business is dependent; and who would be difficult to replace.

The following materials are available to help you understand and educate your clients on this concept:

Advisor material

- **Key Employee Life Insurance Business Profile (F71834-57)**

Client materials

- **Key Employee Life Insurance Consumer Concept Overview (F71834-56)**
- **Key Employee Life Insurance Foreword to Counsel (F71834-55)**

Business succession

KEY QUESTION

Have steps been identified to transfer the business to others at a fair price?

Fifty-four percent of business owners surveyed intend to exit their business in the next 10 years, but 72 percent have not developed a strategy.¹ This is a ripe opportunity for talking to business owners about putting a strategy in place now. Our research indicates that companies that would use a business succession strategy likely have:

- Two or more owners.
- Fifteen or more employees.
- A female owner.
- Five to \$20 million in gross revenue.

Business Succession Questionnaire

The **BOLD Business Succession Questionnaire (F79732-7)** opens by gauging the business owner's interest in fully retiring, or merely "stepping back" from the business:

These questions set up the timeline the business owner may want to transition out of the business.

Your transition strategy

- Do you want to "step back" from the business?** Yes No At what age? _____
- Do you want to retire completely from the business?** Yes No At what age? _____

Stepping back describes walking away from some aspects of the business, while **retirement** means leaving the business entirely.

Prior to this transition, the current business owner will have to decide who will become the new owner:

To whom do you want to transition the business?

- Unrelated third party Other: _____
- Family member - child or other Not sure
- Key employee No one. I will wind down the business.

When do you want to transition out of the operation?

- During lifetime At what age? _____ At death Not sure

How do you want to transition?

- Sell Bonus Gift Other: _____

- Is this a professional business?** Yes No

- **Family member:** review the estate equalization and family buy-sell from the [EPIC Tools Advisor Guide \(F81291-11\)](#).
- **Key executive:** review the exit and transition discussion later in this section and in the [BOLD Business Succession Advisor Guide \(F79732-52\)](#).

The questionnaire then moves to discussing buy-sell strategies within the business:

If there is no buy-sell agreement in place:

1. What type of business entity?

Sole proprietorship Tax exempt Professional corporation
 LLC taxed as a partnership Partnership C corporation
 C corporation LLC taxed as a corporation Professional corporation
 S corporation S corporation

2. How many owners or shareholders? What are the owner percentages, ages and health?

Name	Ownership percentage	Age	Family relationship
1.			
2.			

This first question is important because of basis increase for the owners upon death of an owner. You will find a detailed discussion of the characteristics of these entities in the [BOLD Business Succession Advisor Guide](#).

Note that partnerships, S corporations (S corps) and LLCs (taxed as either a partnership or S corp) are pass-through entities, meaning losses and profits are taxed directly to the shareholders. This becomes an issue when determining whether remaining shareholders will receive a step-up in basis for the purchase of a departing shareholder’s interest.

Ownership percentages

Large variances in ownership interests will complicate buy-sell arrangements. When one person owns substantially more of the business than other owners, funding will become an issue.

Ages and health of shareholders

Large variances in age and health among owners may complicate buy-sell arrangements. Healthy and/or young owners pay more to insure older and less healthy ones. This is particularly problematic in a cross purchase where the policies are owned by the shareholders.

If the owner identifies transfers of ownership to family members in the next section or earlier in the questionnaire, an **estate equalization** technique or **family buy-sell arrangement** may be appropriate:

Are there family members of any of the owners working as employees of the business? Yes No

Who should acquire the interest of a departing owner? (complete for each owner)

Remaining owners Outside buyer
 Business Owner’s family member(s)
 Combination

- **Estate equalization** is used when a business owner wants to treat his or her children fairly but maybe not equally:
 - The owner bequeaths the business to a successor child who wishes to continue the business.
 - The rest of the assets are split among the other children.
- A **family buy-sell arrangement** is used to help ensure successful transfer of ownership to children. The successor child(ren) enter into a buy-sell agreement with the parents:
 - The child(ren) agree to purchase a business upon the death of both parents.
 - The successor child(ren) purchase a life insurance policy on the parents to fund this buy-sell arrangement.

Retirement income is a related concern addressed by the final question in this section:

3. Do the owners desire to add a retirement income objective to the strategy? Yes No

If the owner(s) desire to add retirement income to their succession strategy, then look at **cross-endorsed buy-sell** (for owners in a partnership) and **LifeCycle LLC buy-sell** (for owners in a corporation).

The questionnaire concludes by collecting information on the business owner’s existing succession strategy:

Existing strategy

Does your company currently have a buy-sell agreement? Yes No

If yes, please fill in the following:

Type of agreement:

One-way buy-sell Not sure

Entity redemption/Stock redemption Cross purchase

Cross-endorsed buy-sell Wait-and-see buy-sell

Other _____ LifeCycle LLC buy-sell (partnership)

How is the current buy-sell agreement funded?

Insured	Owner	Beneficiary	Face amount	Who pays the premium?

When was it last reviewed? _____

Are you interested in a complimentary, no obligation review of your existing coverage? Yes No

This provides you the opportunity to offer a complimentary, no-obligation review of any existing buy-sell arrangements and help the business owner modify them to better align with their needs.

Life insurance sales opportunities

There are numerous techniques to consider when using life insurance in a business succession strategy. For more detailed information regarding target businesses, benefits and considerations, refer to the [BOLD Business Succession Advisor Guide \(F79732-52\)](#).

Advanced strategies

Two advanced business succession strategies incorporate a retirement income objective with permanent life insurance. They include:

1. Cross-endorsed buy-sell arrangement (for owners in a partnership).
2. LifeCycle buy-sell arrangement (for owners in a corporation).

Business succession life insurance strategy

If a business owner dies, key employees may become concerned about the future direction of the business and leave the company. A once-successful company can quickly lose the protection and value it once offered the business owner's family.

A stay bonus strategy can help retain key employees by providing a financial incentive to “stay” with the business:

- The business or an irrevocable life insurance trust (ILIT) owns a life insurance policy insuring the business owner's life.
- The death benefit from this policy provides instant liquidity to the business to pay bonuses to select key employees upon the owner's death.

Exit and transition strategies

Your business owner clients need a way to turn their hard work and goodwill into cash at retirement. Without a proper strategy, they may be forced to sell their business at a reduced price or may not be able to find a suitable buyer. **Develop a comprehensive exit and transition program now to help:**

- Ensure your client will receive a fair value for their business.
- Spread the financial strain out over the years before and after the sale.
- Provide funds critical to the new owner's success.

Securian offers a [BOLD Business Succession Advisor Guide](#) and additional exit and transition strategy marketing materials:

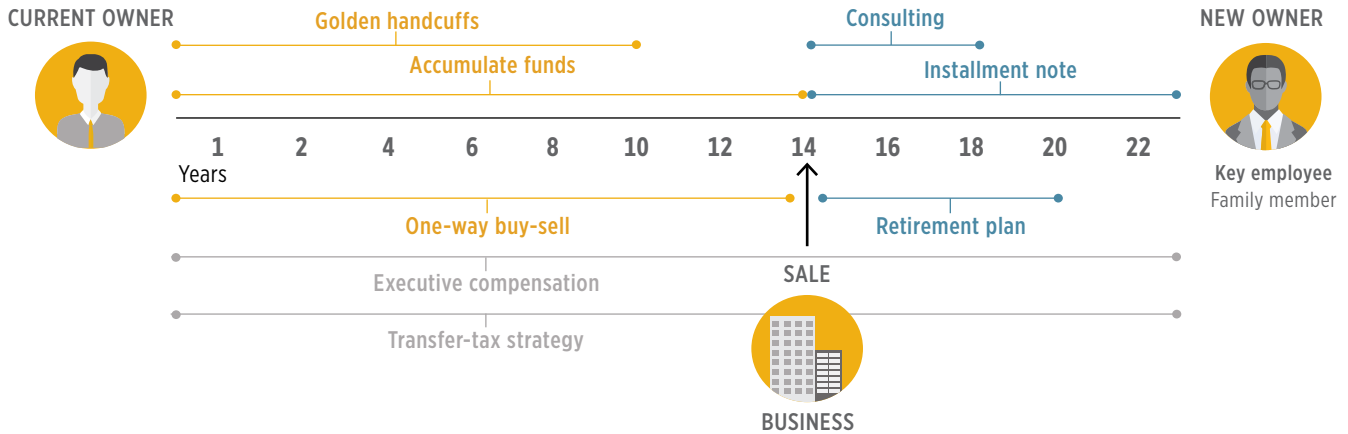
- [Exit & Transition: Client Flyer \(F71834-64\)](#)
- [Exit & Transition Strategies Consumer Brochure \(F71834-102\)](#)
- [Business Owners Exit & Transition Concept Guide \(F71834-96\)](#)
- [Exit & Transition Advisor Flyer \(F71834-89\)](#)
- [Exit & Transition Client Survey \(F71834-67\)](#)

These materials will guide you in developing a strategy that:

- Identifies opportunities for executive compensation strategies.
- Discusses accumulation strategies.
- Develops buy-sell strategies for current owners.
- Uncovers estate planning opportunities for family businesses.

With the proper information and advanced marketing support, you can easily identify and implement the ideal strategy for your business owner client's needs:

EXIT & TRANSITION STRATEGIES



TAKE BOLD ACTION TODAY

Businesses come in all shapes and sizes – and so do their needs. Use Securian’s Business Owner Life-stage Design to identify and implement solutions that fit your client’s business and life-stage.

VISIT OUR BOLD MICROSITE for resources to start taking BOLD action to help maximize your sales in the business owner market: securian.com/BOLD

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For more information about the rating agencies and to see where our ratings rank relative to others, visit securian.com/ratings.

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WE DO what's right. Our strong record of transparency, compliance and ethical conduct sets us apart.

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¹ Securian Financial Group, Small Business Owner Life Stage Study, November 2015

² Subject to meeting the insured's notice, consent and income requirements of IRC Section 101(j).

³ Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. You/ Clients should consult your/their tax advisor when considering taking a policy loan.

⁴ In all states except New York. In New York, policies are issued by Securian Life Insurance Company, a New York authorized insurer. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

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Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods. Please keep in mind that the primary reason for purchasing life insurance is the death benefit.

Policy loans and withdrawals may create an adverse tax result, in the event of a lapse or policy surrender, and will reduce both the surrender value and death benefit.



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