



Ask a Business Owner... (An Analogy)

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Ideas for Life

IDEA OVERVIEW *Mr. Business Owner, are you satisfied with the progress you have made towards your retirement? Would you be interested in another idea on how to build for retirement?*

What if you could hire one additional employee – one that costs you somewhere between what you pay your highest paid and lowest paid employees. Let's say this new employee costs \$50,000 with salary and benefits – but the net cost to you is about \$30,000. Maybe you keep this employee for the next 15 years. At the end of 15 years, you eliminate that job -- no strings, no regrets.

"Then when you get to retirement – let's assume at (age 67) -- **this "employee" pays you a tax-free income of (\$50,000 per year for 20 years).**"

Oh, by the way, if the "employee" becomes disabled for more than six months during those 15 years, someone else will pay his salary for you! (refers to Waiver of Premium on CWL)

IF you could do that, would you?? The answer usually will be - "absolutely, but that doesn't exist." **OR DOES IT!?!?**

Typically business owners make decisions with an objective to increase the value of the business for sale later. The proceeds from the sale of their business later are often used to provide retirement income.

Food for thought: "How much value would a new employee have to add to the business to put \$1,000,000 AFTER TAX into the business owner's retirement income????"

WHO IS APPROPRIATE FOR THIS DISCUSSION? A business owner who...

- has a need for the death benefit protection and is interested in the cash value that accumulates in a permanent life insurance policy
- needs death benefit protection now and anticipates this need decreasing as he or she approaches retirement and continues to "re-invest" in the business.

Benefits of this Financial Strategy

- Death benefit protection
- Generally, an income tax free death benefit
- Flexible enough to meet individual needs
- Life insurance values can be pledged as collateral for a loan
- Self-completing upon a qualified disability through the purchase of the optional waiver of premium rider
- Protection from creditors (in some states)

What the Prospect Needs to Understand

- The difference between guaranteed and nonguaranteed values.
- Dividends are not guaranteed and not a guarantee of future results.
- Periodic payments can be generated through dividend surrenders, policy loans or a combination of the two.
- Loans and withdrawals reduce the death benefit.
- Loans accrue interest.
- When too much money is put into a life insurance policy, the policy can become a MEC and distributions from the policy are taxed less favorably.
- Life insurance is subject to underwriting