

Allianz Life Insurance Company of North America

How life insurance benefits **small-business owners**

Protecting the life of your business

For all that's ahead.®

Allianz 

Life insurance can do more than you might think

There's reward in owning a small business. You have the opportunity to make a living while you build your dream company. Success isn't measured by the hours you've logged, but by the milestones you've reached. And although small businesses can come with their steep learning curves, the successes can be sweeter – and they're yours.

The loss of a
**VITAL
EMPLOYEE**
can have a much
more catastrophic
impact on the survival
of a small company
than a large one.¹

But, as you know, reaching the rewards means taking on the responsibility of a small business. One of those is fulfilling the needs of your employees and securing the longevity of your company.

If you own a small business, you should know that life insurance can do more than just provide a death benefit. It can help cover many other small-business needs and serve as an excellent employee retention tool.

This brochure highlights some of the ways that fixed index universal life (FIUL) insurance can be part of your business planning strategies.

And keep in mind that most life insurance policies require health underwriting and, in some cases, financial underwriting.

¹ "Small World, Trends in the U.S. Small Business Market," LIMRA, 2013.

² Policy loans and withdrawals will reduce available cash values and death benefits, and may cause the policy to lapse or affect any guarantees against lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject ordinary income tax. Policy loans are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. However, withdrawals or partial surrenders from a non-MEC policy are subject to income tax to the extent that the amount distributed exceeds the owner's cost basis in the policy. Loans, withdrawals or partial surrenders from a MEC policy are subject to income tax to the extent of any gains in the policy, and if the payment occurs prior to age 59½, a 10% federal additional tax may apply.

Advantages of FIUL policies for **small-business owners**

The main reason to buy life insurance is for the death benefit protection it provides. This death benefit can address immediate needs, such as income replacement, final expenses, and much more.

FIUL is unique compared to other types of life insurance because the policy's cash value has the potential to accumulate based on the performance of an external market index. FIUL also provides a combination of three tax advantages:

- An income-tax-free death benefit to your beneficiaries
- Tax-deferred cash value accumulation potential
- Income-tax-free access to any available cash value through policy loans, which can help supplement your retirement income as long as the policy is not surrendered or does not lapse (consult your financial professional for details)^{2,3}

With an FIUL, you pay the premium, with the flexibility to choose between the minimum and maximum premium amount. The minimum premium is determined by the insurance company and is the minimum amount to keep the policy in force. The maximum premium is the most the IRS will allow you to pay into a policy.

This premium, minus policy fees and charges, has the potential to build cash value in the policy, which can be accessed through policy loans and withdrawals. All insurance policies carry fees and charges.⁴ These are deducted from your premium and offset various expenses we incur in connection with your life insurance policy, including paying the death benefit, underwriting expenses, and issuing and administering the policy.

³ How your policy is funded can also affect how loans are taxed.

⁴ For information about a specific product's fees, please consult the brochure for the product you're considering.

Tax laws are subject to change and you should consult a tax professional.

FIUL as part of an employee compensation strategy

Setting up an employee compensation plan with an FIUL insurance policy gives the employee the death benefit protection they need. In addition, it provides the opportunity to build potential cash value accumulation, which may be accessed income-tax-free through policy loans in the future.¹

Employee compensation plans include the:

- Executive bonus plan (Section 162)
- Restricted executive bonus plan (REBA)
- Nonqualified Deferred Compensation
- Stay bonus

FIUL as part of a business continuation strategy

Life Insurance
can help ensure
**THE LIFE
OF YOUR
BUSINESS.**

Life insurance can help protect the value and ongoing operations of your business by providing a death benefit in the event of the loss of essential employees. Life insurance can also be used to fund different types of buy-sell agreements, which include:

- Cross purchase
- Entity purchase
- One-way buy/sell
- Partnership buy/sell

In addition, key person life insurance may be a good option for business continuation. Each of these can be useful whether you share ownership or are the sole owner of a small business.

Fixed index universal life insurance offers many advantages for small-business owners. To find out if it's right for yours, contact your financial professional.

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Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

Product and feature availability may vary by state.

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com. (R-11/2013)