

# Market Profile Business Owners



## OVERVIEW

A recent study of business owners showed that two of their top three priorities were business protection (No. 1) and income protection (No. 3).<sup>1</sup> Yet, the majority of owners had not established a solid financial strategy. The day-to-day operations of their businesses kept them too busy to plan. **They need your help.**

Business owners have multiple needs that can be met by Individual Disability Insurance (IDI) solutions from Principal Life Insurance Company. Owners:

- Have several key protection needs – personal income and retirement savings, business expenses and transition planning and key employees
- May be interested in helping employees protect their ability to work and earn an income, which can result in you offering a multi-life solution
- Can qualify for several underwriting “perks,” such as the Business Owner Enhancer and Business Owner Allowance. (See inside for details.)

In addition to IDI needs, business owners may need help with other risk products and investment strategies – for both themselves and their employees.

## TARGET MARKET

Business owners who:

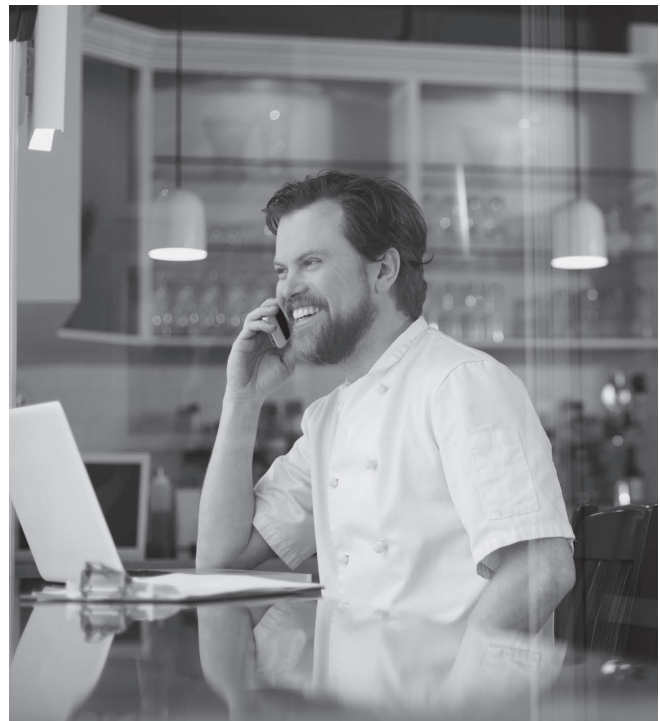
- Are between 30 and 55
- Own businesses with up to 10 owners
- Rely on their personal service for the continued success of the business
- Are employed as: attorneys, accountants, architects, actuaries, auditors, dentists, engineers, optometrists and more!

Many of these occupations qualify for Principal Life’s 10 percent Select Occupation Discount (available on all products). Plus, if they are members of a professional association and a Select Occupation, they may be eligible for an additional 10 percent discount (for single-life cases, in approved states).<sup>3</sup>

## Did you know?

The impact of small businesses in the economy of the United States is huge:<sup>2</sup>

- The **NEARLY 27 MILLION SMALL BUSINESSES** in the United States represent 99.7% of all employer firms.
- They comprise about **43% OF THE TOTAL** U.S. private-sector payroll.
- From 1993 to 2009, they provided nearly **TWO-THIRDS (65%) OF ALL NET NEW JOBS** and employed about half of U.S. workers.



## REACHING THE MARKET

A variety of online resources are available to help you find business owners in your local market. Get started with these online tools:

- [www.zoominfo.com](http://www.zoominfo.com) – This site provides a great deal of background information for free and is updated regularly.
- [www.bbb.org](http://www.bbb.org) – The Better Business Bureau website is a well-known resource that may contain company information even if there is no review on file. This information may not be updated regularly.



### SALES TIPS

- Reach out to owners featured in local business journals and newspaper articles.
- Participate in local Chamber of Commerce events and consider joining local chapters of business owner networking groups to build a network of contacts.

*Find marketing materials and other helpful resources for working with business owners at [www.principal.com/TargetBusinessOwners](http://www.principal.com/TargetBusinessOwners) or search for specific materials at [www.principal.com/virtualsupply](http://www.principal.com/virtualsupply).*

## DOOR OPENER

Approach business owners by offering Principal Life's **complimentary business planning services**:

- Informal business valuations
- Buy-sell agreement reviews

These services give business owners valuable information about their businesses and help you identify the right solutions to fill any gaps. Review JJ1837 to learn more.

## SALES IDEAS

- **Help business owners prioritize their financial needs** using Principal Life tools, including a quick checklist (JJ1640) and more comprehensive IDI brochure (JJ1834).
- **If you've been selling life insurance, cross-sell disability insurance solutions.** In most cases, if a business owner needs solutions funded with life insurance, he or she also needs disability insurance.
- **Share the importance of proper protection and the IDI solutions Principal Life offers.** No other carrier offers such a comprehensive IDI portfolio. It includes solutions for income protection, business protection, employee benefits and retirement savings. Use brochure JJ1641 to approach business owners.

## PRIMARY TYPES OF BUSINESS ENTITIES AND AVAILABLE IDI SOLUTIONS

<b>Sole Proprietorships</b>	This is the most common form of a business; nearly three fourths of all businesses in the U.S. are sole proprietorships. <sup>4</sup> A sole proprietorship has only one owner.	DI, DIRS, OE/BLP
<b>Partnerships/Limited Liability Companies (LLC)</b>	A partnership is an association of two or more people engaged in a for-profit business as co-owners.	DI, DIRS, OE/BLP, DBO, KPR
<b>C Corporations</b>	Though small in number, C corporations account for the majority of business receipts. They are separate taxable entities. Owners are considered shareholders with limited liability for the organization's debts.	
<b>S Corporations</b>	S corporations are separate legal entities that provide shareholders limited liability, yet business profits pass through to the shareholders' tax returns.	

## SOLUTIONS

### Individual Disability Income (DI) insurance

In the event of a disability, this coverage provides monthly benefits to help pay daily living expenses such as the mortgage, car payments and utilities. The policy:

- Boasts a flexible design, allowing it to be customized to fit the business owner's unique needs and budget.
- Is non-cancelable and guaranteed renewable until age 65. It cannot be changed or canceled as long as the insured pays the premium.

### DI Retirement Security (DIRS)

The DI Retirement Security program helps individuals continue saving for retirement if they become too sick or hurt to work. Benefits are paid to an irrevocable trust to be accessed as retirement income.

### Overhead Expense (OE) Insurance

In the event of a disability, OE insurance reimburses business owners for fixed business expenses. These benefits help keep the business open while helping maintain the business' value and credit rating. Premiums are deductible as a necessary business expense.

### Business Loan Protection<sup>5</sup>

This rider can be added to an OE policy to help protect a client's ability to make business-related loan payments during a total disability. *This is a key differentiator of Principal Life's comprehensive IDI portfolio.*

### Key Person Replacement (KPR) insurance<sup>5</sup>

This policy provides benefits to a business if a key employee, who is critical to the success of the business, becomes totally disabled. Benefits can be used at the discretion of the business. Typical uses include covering recruitment costs, temporary staffing needs and revenue replacement.<sup>6</sup> *Another key differentiator.*

### Disability Buy-Out (DBO) insurance

DBO insurance funds a buy-sell agreement to buy out a totally disabled owner (on a reimbursement basis). It offers the remaining owner(s) a way to continue the business without having to dip into other assets, while minimizing tax liability.

## UNDERWRITING INCENTIVES

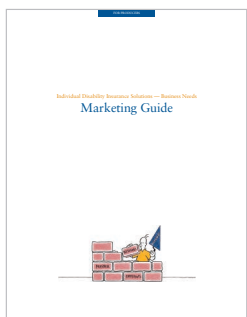
Principal Life offers two special underwriting programs just for business owners:

- **Business Owner Allowance** – Helps them qualify for greater monthly Individual DI insurance benefits by increasing their earned income by 20%. Review form JJ1682 for details.
- **Business Owner Enhancer** – Can increase their occupation class by up to two levels, providing greater premium savings. Review form JJ1683 for details.



#### SALES TIP

Check out the Business Needs Marketing Guide for additional ideas on how to approach business owners (JJ1790).



*The business owner market provides a variety of IDI sales opportunities.*



## A DISCOUNTED OFFERING – MORE COVERAGE, LESS COST

Take advantage of the **20 percent Multi-Life Discount** to help your clients purchase more IDI coverage for less. The discount applies when three or more employees from the same employer (using the same financial professional) purchase any combination of IDI policies from Principal Life.<sup>7</sup> A few examples of how it could work:

**OE + KPR<sup>5</sup> + DI = 20% discount**

*A business owner purchases OE and KPR (for a key employee) and another employee purchases his or her own DI policy.*

**DBO + DBO + DI = 20% discount**

*Two business owners purchase DBO policies and pay premiums for an employee's DI policy.*

**DI + DI + DIRS = 20% discount**

*Three individuals with a common employer purchase two DI policies and a DIRS policy.*

**KEEP IN MIND:** *Three unique employees must purchase coverage, but anyone can pay the premiums.*

### FOR MORE INFORMATION

Contact your local representative or visit [www.principal.com/TargetBusinessOwners](http://www.principal.com/TargetBusinessOwners).

<sup>1</sup> The Principal Financial Group®, Business Owner Study conducted by Harris Interactive, 2012.

<sup>2</sup> Source: U.S. Small Business Administration, Office of Advocacy, August 2012. Viewable at: <http://web.sba.gov/faqs/faqindex.cfm?areaID=24>.

<sup>3</sup> 10% Association discount for participation in a professional association does not apply to members of the Chicago Bar Association. It also does not apply to pharmacists, directors of information systems or computer engineers. The Association Discount is approved in all states for Individual DI insurance, and is subject to state approval for OE and DBO insurance. Not available on Key Person Replacement insurance. For more information, go to: [www.principal.com/distateapprovals](http://www.principal.com/distateapprovals).

<sup>4</sup> U.S. Census Bureau, 2012 statistical abstract.

<sup>5</sup> Not available in California; not approved in all states. For state approval information, go to: [www.principal.com/distateapprovals](http://www.principal.com/distateapprovals).

<sup>6</sup> Benefits cannot be assigned to the disabled employee.

<sup>7</sup> The Multi-Life Discount is not available for business products in Ohio. It cannot be stacked with the Association Discount.



WE'LL GIVE YOU AN EDGE®

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