



## Secure your business by protecting your key people

Regardless of what a business is worth in real estate, equipment and inventory, the biggest asset is its key staff. Without them the other assets are at best, static.

It is the people with the ideas, drive, initiative, skills, and know-how who generate the profits and ensure there will be a business tomorrow as well as today.

Think about it. Is there someone in your team who if they suddenly needed six weeks leave would cause you stress? Without him or her will there be a negative impact on output, sales, access to markets, cost savings, reputation, or ability to service loans?

No doubt business owners are invariably key people. However you may have others in your team. They may be financial controllers, computer programmers, specialist engineers and other technicians. The sudden loss of such a person has inevitable costs, not all of them obvious. As well as the fall in sales or profits until a suitable replacement is found, there will be recruiting, specialist training and familiarisation expenses. There is often a negative impact on business capital value, goodwill and credit rating.

## What is Key Person Insurance?

Key Person Insurance covers the financial consequences caused if a key person dies, suffers a traumatic illness or suffers a total and permanent incapacity.

98% of small businesses have their cars insured to cover potential financial loss.<sup>1</sup>

What about the financial impact caused by the loss of a person who is a key business driver?

## A Case Study

Renee and Sophie are two key forces behind a very successful manufacturing business. They manufacture and distribute a unique ingredient used in lipstick. Renee is the design and manufacturing expert, Sophie is a skilled sales and marketing person and recently secured an account worth \$1.8 million dollars over 2 years. 3 weeks after the contract had been won Renee died in a motor vehicle accident. The design is documented but the manufacturing expertise has been lost. This leaves Sophie in a financial vulnerable situation. She needs to replace the design expertise quickly to ensure contract time frames are met. Late delivery will mean a penalty of \$200,000 and Sophie will need to spend at least \$100,000 to go to the market and replace Renee.

<sup>1</sup>SMALL BUSINESS OWNER RESEARCH JULY 2004

Fortunately Sophie and Renee took out business insurance to cover the financial difficulty the other would be in should the unexpected occur. Sophie had the funds to:

- ✓ Find and train a replacement
- ✓ Cover the cost of replacing the income lost
- ✓ Retire part of the debt owing by the business to secured creditors

### The risk is real...

Around 2500 Australians die each week and no one business, occupation or age group is immune.<sup>2</sup>

### Choice of one Partner...<sup>3</sup>

<u>Number of Partners</u>	<u>Dying Before Age 65</u>	<u>Dying or Totally Disabled Before Age 65</u>
2 Partners	35 in 100	52 in 100
3 Partners	47 in 100	67 in 100
4 Partners	57 in 100	77 in 100
5 Partners	66 in 100	84 in 100
6 Partners	77 in 100	89 in 100

#### *Finserve Private Clients*

If you wish to explore the benefits of key person insurance consult an adviser on **02 9957 2544** or **info@finserve.com.au**

Information in this flyer is commentary of a general nature only and does not take into account your personal needs, objectives or current situation. We strongly recommend that you seek professional financial advice before making any decisions.

<sup>2</sup>AUSTRALIAN INSTITUTE OF HEALTH AND WELFARE, AUSTRALIA'S HEALTH 2002

<sup>3</sup>ZURICH MORTALITY AND MORBIDITY CALCULATOR, 2004

