

BUSINESS PROTECTION IN BRIEF.

The following table highlights the differences between the three main areas of business protection.

	KEY PERSON	PARTNERS'/DIRECTORS'/LIMITED LIABILITY PARTNERSHIP	BUSINESS LOAN
WHY?	To provide a cash injection into the business after the death, terminal or critical illness of a key person. For example, the money may be needed for recruitment, retraining or loss of profits.	To provide a sum of money to the remaining business owners after the death or critical illness of a partner/director. This will help enable them to buy the shares from the deceased partner's/director's/member's estate, thereby maintaining control of the business.	To help the business pay an outstanding loan, overdraft or commercial mortgage after the death or critical illness of the person(s) covered.
WHO?	Anyone who directly contributes to the profit of the business, for example, IT director, founder, entrepreneur, sales director.	Any business owner/partner(s)/director(s)/ members(s) of the business.	Key person or guarantors of loans.
HOW MUCH COVER?	To cover the loss of profits to the business and the cost of finding/hiring a replacement for a key person, in the event of the death, terminal or critical illness of a key person.	Value of the business owner's share of the business.	To cover the value of the outstanding loan, overdraft or commercial mortgage.
HOW IS THE POLICY WRITTEN?	Business takes out a policy on a life of another basis. For a partnership (England and Wales) it is usually written on an own life basis and may be placed in trust for the other partners.	Life policy (own life) in trust for the benefit of remaining business owners. (With a Cross Option Agreement (single option for CIC)).	Loan agreement may provide that policy to be assigned to the lender. Otherwise, written in the same way as key person cover.
WHO PAYS?	The business usually pays the premium. For taxation information, please refer to the 'Key Person Protection (Profit Protection)' sales card.	Usually the business will pay the premiums on behalf of the business owner. This is a taxable benefit. Premium equalisation is an option.	The business would usually pay the premiums.

RELEVANT LIFE PLANS

We also offer Relevant Life Plans. A Relevant Life Plan is an individual death in service life assurance policy available for directors and employees. The plan offers some very special advantages, most notably tax efficiency. While the life cover is personal to you and your employees, the policy counts as a business expense so it's tax deductible and does not count towards annual or lifetime pensions allowances. It is also a cost-effective way to offer life cover to your employees if your business is not eligible for a group life scheme.



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