

# *CPS ADVANCED MARKETS*

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# CPS ADVANCED MARKETS

## **Among our Advanced Support Services:**

- ❖ ***Advanced planning call line (805-597-3636)***
- ❖ ***Preparation for sales and marketing presentations***
- ❖ ***Participation in calls with attorneys, CPAs or other professionals***
- ❖ ***Training and educational opportunities***

***Another Inspiring Marketing Webinar***

October 12, 2010

***Keeping the “Success”  
in Business  
Succession***



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***Why do businesses fail?***

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ExxonMobil



*What do these  
five  
corporations  
have in  
common?*

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*Our purpose:*

*To help you help businesses succeed.*

*Let's get down to business (3 ways) . . .*

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## **Scenario #1** **Getting “Up” to Business**

***With your business clients – a progression:***

Level #1 - Group – P&C – W/C – Liability

Level #2 - Business Insurance

Level #3 – Planning for the Principals

## **Scenario #2** ***Backing into Business***

***With your personal clients – a retrogression:***

Level #1 – Personal planning

Level #2 - Business Insurance

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## **Scenario #3** ***Turning Up Business***

***Creating new clients:***

Level #1 – Cold Prospecting

Level #2 - Business Insurance

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Whatever the Prospecting  
Scenario:



CPS Wants to Help You

***Address the Business  
Marketplace***



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Every Business Owner Has the Same

***Goal !***



*To profitably conduct their business until they pass ownership to whom they want, in the way they want, and for what they want.*

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## ***Business “Success”-ion***

It's more than just a “stock swap”!

## ***Business “Success”-ion***

More than a stock swap

Comprehensive Business

Planning is a

***3-legged stool***



## *Three failures to plan that can break the business*



## ***Business Succession***

### Planning Leg #1 – Business Continuation

Planning who will own and/or manage the business next and ensuring it happen in a manner than makes everyone whole and satisfied (***business transition arrangements***)



## ***Business Succession***

Planning Leg #1 – Business Continuation

Planning Leg #2 – Key Person Coverage

Planning to survive the untimely loss of critical employees (***key person life and disability coverage***)



## ***Business Succession***

**Planning Leg #1– Business Continuation**

**Planning Leg #3 – Key Person Coverage**

**Planning Leg #3 – Key Person Compensation**

Planning to prevent losing critical employees to the competition (***key person benefits***)



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*When talking to a prospect . . .*

*How do you get the ball rolling?*



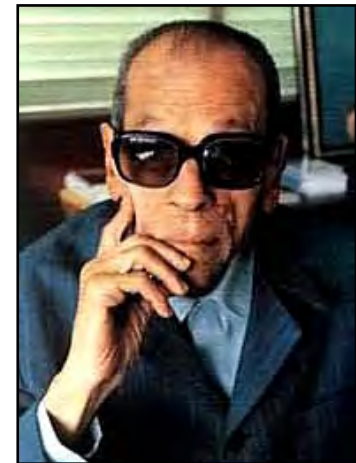
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## *Getting the conversation started*

“You can tell whether a man is clever by his answers. You can tell whether a man is wise by his questions.”

**Naguib Mahfouz, writer (1911-2006 )**



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You're saying to yourself,

*"Now if I only had some questions."*

## Questions



### *Planning Leg #1 – Business Continuation*

1. How long do you plan to own and/or manage the business?
2. Who do you want to own and/or manage it next?
3. How will that transition take place (sale, transfer, gift, inheritance)?
4. What arrangements have been made to assure all this takes place?

## Questions



### *Planning Leg #2 – Key Person Coverage*

1. Are there any employees whose untimely death or disability would jeopardize the immediate and/or long-term well-being of the business?
2. What would be the costs associated with that loss?
3. Have any steps been taken to protect against the possibility?

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*All 3 Planning Legs Are Critical, But*



Today We'll Concentrate Only on

***KEY PERSON BENEFITS***

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## Questions



### *Planning Leg #3 – Key Person Benefits*

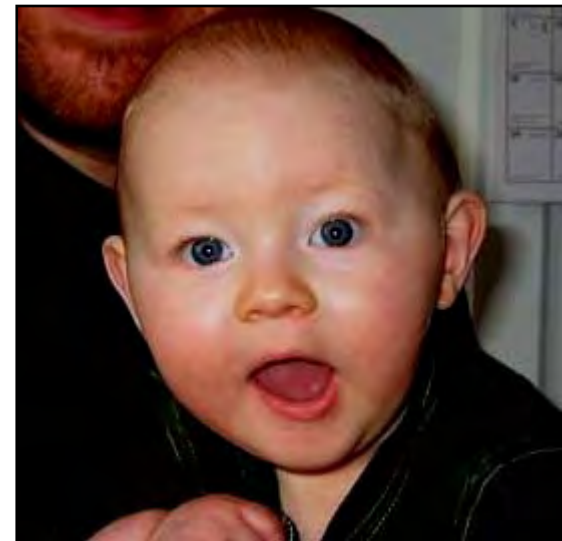
1. You provide good benefits to your general workforce – is there a possibility that key employees might be hired away because they are attracted with additional benefits?
2. Do you think that additional benefits would make it attractive to stay here?
3. Would you consider benefits that are effective both in cost and in strengthening your hold on key employees?

## Questions

### *Planning Leg #3 – Key Person Benefits*

- 1. You provide good benefits to your general workforce – is there a possibility key employees might be hired away because they are attracted with additional benefits?*
- 2. Do you think that additional benefits would make it attractive to stay here?*
- 3. Would you consider benefits that are effective both in cost and in strengthening your hold on key employees?*

*What if you get a positive response?*



***Behind the Scenes  
You Have an  
Arsenal  
of  
Key Person Benefits  
Available***



## *Your Arsenal of Key Person Benefits*

1. Executive bonus
2. Restricted Endorsement Bonus
3. Split Dollar (mucho variations)
4. Supplementary Employee Retirement
5. Deferred Compensation
6. Survivor Income Benefit (SIB)



***Don't Overwhelm the Prospect!***

***Terms to not use when discussing  
key person benefits . . .***



## ***Terms to not use when discussing key person benefits with a prospect . . .***

1. Executive bonus
2. Restricted Endorsement Bonus
3. Split Dollar
4. Supplementary Employee Retirement
5. Deferred Compensation
6. Survivor Income Benefit (SIB)



*Rather . . . . .*

# *START SIMPLE!*

*Without any lingo . . .*



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*Open the door to key person benefits with a simple example*

*Simply Say . . .*

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*“Mr./Ms. Prospect, let me take two minutes to describe an uncomplicated, but valuable benefit for the important folks you mentioned who might be attracted away by offers from competitors or other companies.”*

## *What if you said to your key EE's*

- 1. I want you to retire with me*
- 2. During that time I don't want you to worry about the care of your family in the event of your premature death*

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## *And then you said . . .*

3. *If something were to happen while you were in my employ, I want to provide for your family.*
4. *I will pay them [\$250,000].*
5. *This protection will cost you nothing.*

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### ***And for you, Mr./Ms. Prospect, this plan:***

- 1. Is easy to implement*
- 2. Requires little administration*
- 3. Is cost effective and price is “locked in”*
- 4. Has significant tax advantages if benefits are paid*
- 5. Can be awarded on a selective basis, and*
- 6. Can vary from employee to employee*

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You have just described:

- ***The Most Basic***
- ***The Most Simple***
- ***The Most Overlooked***
- ***The Most Underused***

**Key Employee Benefit Plan Available**

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Known in your arsenal as:

1. Executive bonus
2. Restricted Endorsement Bonus
3. Split Dollar
4. Supplementary Employee Retirement
5. Deferred Compensation



6. Survivor Income Benefit (SIB)

*But remember . . .*

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**Don't** use those words  
with the prospect!



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## The details behind SIB

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*To be shared on a  
“Need To Know”  
Basis !*

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## *Need to Know* **SIB DEFINED AND DESCRIBED**

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- Legally Binding Agreement Between an ER and One or More EE's
- Provides Only Defined Death Benefit (Flat Amount or Determined by Formula)
- Pays Only if the EE Dies During Employment Before a Stated Retirement Date
- Pays Only if the EE is Survived by a Spouse or a Beneficiary in a Class Designated by the ER

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## ADVANTAGE #1 TO YOU

### BENEFITS

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#### To the Employee

- In the Event of Pre-Mature Death Key Employee's Survivors Will Still Live in Their Anticipated Retirement Lifestyle

#### To the Employer

- Reduced EE Anxiety
- Employee Retention
- “Silver” Handcuffs and Relationship Enhancement

## ADVANTAGE #2 TO YOU

CONFIDENTIAL



## NON - QUALIFIED

- Total Freedom to Choose Regarding Participation
- Total Ability to Vary Benefit Design From Participant to Participant
- Minimal Regulatory Reporting – Maybe, a *Dept. of Labor Letter* and Participant *Summary Plan Description*

## ADVANTAGE #3 TO YOU

### EASY

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- To Informally Fund – Life Insurance on Each Participant
- Implement - Agreement and Resolution
- Administration – Virtually None
  - ❖ *At implementation (101j notice and consent, poss. SPD and DOL letter)*
  - ❖ *During Employment (101j Form 8925 filings w/ tax return)*
  - ❖ *In The Event of Death (if benefits are paid in installments)*

## ADVANTAGE # 4 TO YOU

CONFIDENTIAL



### ECONOMICAL

Because the Period of Risk is Defined – it Can Be Safely Funded Informally with **Term Insurance!**

Plus, Potential for **Cost Recovery** Using:

- *Excess Death Benefit, or*
- *ROP Riders, or*
- *Payment of Benefits in Installments (ER has the use of the death benefits over the payout period)*

## ADVANTAGE # 5 TO YOU

### TAXATION

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#### To the Employer

- **Any Premiums Paid Are Non-Deductible**
- **Death Benefits Are Received Are Tax Free**
- **Benefits Are Tax Deductible When Paid**

#### To the Employee

- **No Current Economic Benefit to Report (*unlike split dollar*)**
- **Benefits Could Be Free From Estate Tax (*unlike deferred compensation*)**

#### To the Beneficiaries

- **Benefits Are Income Taxable**

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*Meanwhile back at the ranch . . .*

*Mr./Ms. Prospect, would something like this help you?*

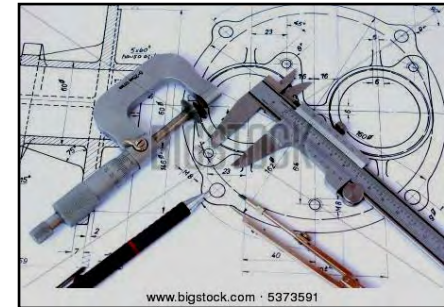


*If not, what would you change?*

## Plan Design Variables

*Things Your Prospect May Ask or Change*

1. Can I give or take more control (vesting)?
2. Can I improve the tax benefits?
3. Can the employee participate in the cost?
4. Can I recover my cost?
5. Can I offer retirement benefits instead of or along with death benefits?



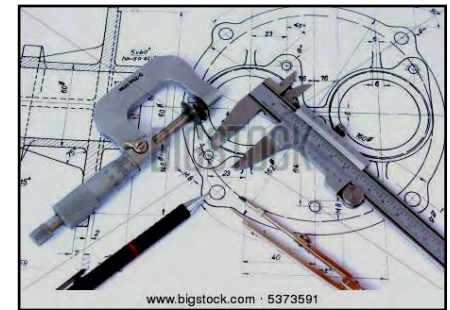
*Changes will determine ultimate plan design*

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## *What You Need to Do!*

- 1. Write down their comments.*
- 2. Complete a business data sheet.*
- 3. Bring them to us.*

**CPS** will design a benefit plan proposal for your client!



## *From Your Arsenal of Key Person Benefits*

1. Executive bonus
2. Restricted Endorsement Bonus
3. Split Dollar
4. Supplementary Employee Retirement
5. Deferred Compensation
6. Survivor Income Benefit (SIB)



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## ***Ask for the CPS Key Person Benefit Tool-Kit !***

*We will give you:*

- 1. Business Owner's Goal Sheet***
- 2. Three-legged stool question sheet***
- 3. Key person benefit dialogue sheet***
- 4. SIB – Plan Description***
- 5. Plan variable feedback collection sheet***
- 6. Data collection sheet***
- 7. Email/postcard prospecting piece***
- 8. Ghosted article for publication***
- 9. Sample plan documentation***



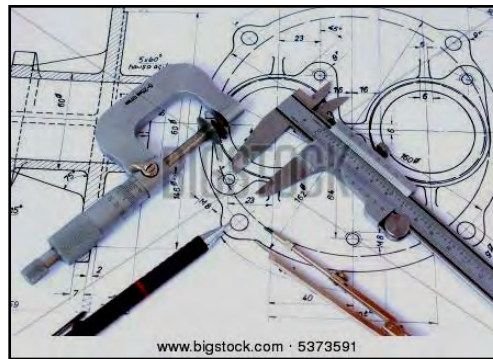
***What more could you want ?***

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## *CPS Advanced Markets*



*Do your cases happen by accident,  
or by design?*

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CONTACT THE

**CPS ADVANCED MARKETS  
REPRESENTATIVE**

IN YOUR AREA FOR ADVANCED MARKETING SOLUTIONS

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