

Informal Business Valuation and Business Planning Report

Connecting business value to your success

Presented to
McIntire Machine

Based on financials from 2015 - 2018

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Protect your success

You can be proud of the business you've built and its success. You've worked hard, so you want to make sure that the business plans you have for the future can be realized.

There are three key components to effective planning:

- 1 | **Knowing the value of your business.**
- 2 | **Protecting your business and your key employees** – Business succession and business protection plans allow you to prepare for the unexpected, as well as the future success of your business. And, retention and retirement solutions can also help both you and your valuable key employees.
- 3 | **Protecting your lifestyle** – Retirement, income protection and legacy and estate planning solutions help you and your family maintain your lifestyle.

That may sound like a lot to think about. But, that's where Principal® comes in. We're here to help you implement proper business planning, and to offer simple processes to help keep those plans current.

You've already taken the first step

Because the value of your business is such an integral part of effective planning, that's a great place to start. You probably have a good idea of what your business is worth. But, if you're like a lot of other business owners, you may not have ever had your business valued. So, the informal business valuation that follows is a great start towards protecting your business' future success.

Let us help you with the rest

The rest of the content in this report is intended to help you with the protection aspect of the planning process – protecting your business, your key employees and your lifestyle.

› **Protecting your business and key employees –**

An important part of this is planning for the future, which includes having a formal business succession plan in place. It's the best way to help ensure that your business will continue in your absence, on your terms. This is something many business owners don't address. In fact, almost half of growing businesses don't have an exit or continuation plan in place.¹

Even though the top two transition events for businesses are death and disability of an owner, many buy-sell agreements we've reviewed fail to make these mandatory trigger events. Death is a mandatory buy-out event for 70% of agreements. But for disability, the percentage drops to only 33%.²

This comprehensive report is meant to be a guide for the long-term future of your business. It starts out with the informal valuation of your business, then highlights possible solutions and next steps needed to create effective plans specifically for your business. And, knowing you probably can't do everything at once, we'll help you prioritize your next steps.

We look forward to working with you to put a plan in place that will help ensure your business will meet the goals you have set, and thrive under many contingencies.

› **Protecting your lifestyle –** Protecting the value of your business is key for this. It's important to your company's overall success should something unexpected happen. But, you also want to protect the business that's likely a source of income for you and your family, as well as planned retirement income for you. We know this type of planning is easy to avoid, so that's why we've identified some planning solutions to help you get started.

¹ 2017 Principal Financial Business Owner Survey.

² Review of 1,485 buy-sell agreements by Principal Financial Group (1/01/2011 to 1/31/2017).

Know the value of your business

Determining the value of your business is the starting point and an integral part of the planning process. There are many different methods to value a business, but there's no one method that's always appropriate. At the end of the day, the "fair market value" of a business is the amount agreed upon by a willing buyer and a willing seller. Neither party is under any compulsion to buy or sell, and both must have reasonable knowledge of all the relevant facts. This is a common definition used for valuing a business, but we'll try to add a little more clarity to it below.

Valuation approaches and methods

Business valuation methods are generally categorized under three approaches: asset approach, income approach and market approach. Since no single method is most appropriate for valuing every business, it's common to reference a business valuation method under any one or all three approaches.

Asset approach

This is typically used with businesses that have substantial tangible assets, usually in the form of inventory and equipment. It's most appropriate for businesses with a substantial amount of fixed assets.

Adjusted book value – This generally represents the "liquidation" value – assets, with adjustments, less liabilities.

Income approach

This type of approach uses prior earnings to estimate company value based on income potential. It's most appropriate for businesses with consistently strong earnings. Specific methods include:

Capitalization of earnings method – Applicable for consulting-type businesses and/or those with few or no tangible assets.

Excess of earnings method – Generally for manufacturing-based firms with significant assets.

Discounted cash flow method – Uses projected values. Projected future earnings are forecast, then discounted using an appropriate rate representative of the "next best investment opportunity" with a comparable level of risk. Used mainly for mergers and acquisitions.

Multiple of discretionary earnings method – Applicable for more service-oriented firms, such as legal, accounting, healthcare systems, dental, engineering, etc. Goodwill of the owner(s) has a significant impact on value.

Market approach

This is based on the prices of similar or comparable businesses that have recently sold. This data is more challenging to find for the sale of small businesses and professional practices, rather than for large businesses. **A valuation using this method is not provided in this report.**

Considerations for valuing a business per IRS Revenue Ruling 59-60

- › Nature and history of business
- › Outlook of the economy and the specific industry
- › Financial condition of the business and its book value
- › Earnings capacity of the company
- › Nature and value of any intangible assets of the business, such as goodwill
- › Relative size and block of the business interest to be valued and any prior sales
- › Market price of actively traded stock of corporations in the same or similar business

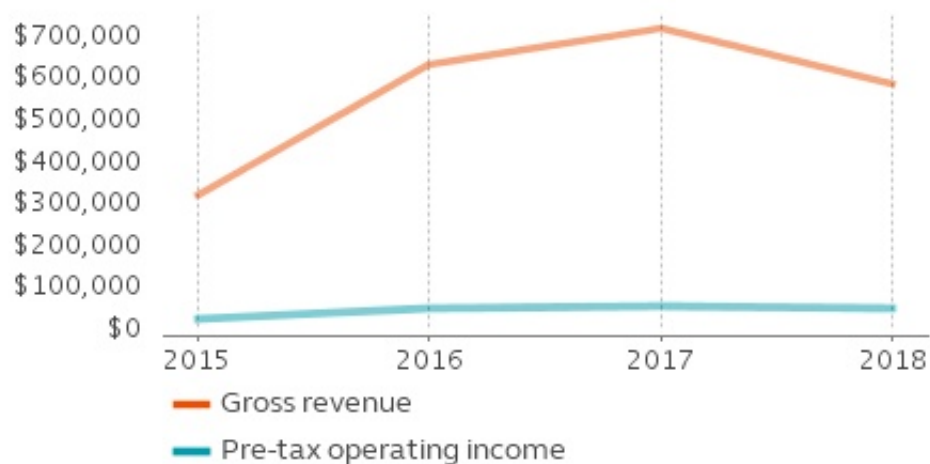
Your company profile

Entity type:	Sole Proprietorship
Industry:	Manufacturing - Machine Part Fabrication
State:	CA
Years in business:	26
Number of business owners:	1
Number of employees:	1-10
Family business:	No

Financial statement summary

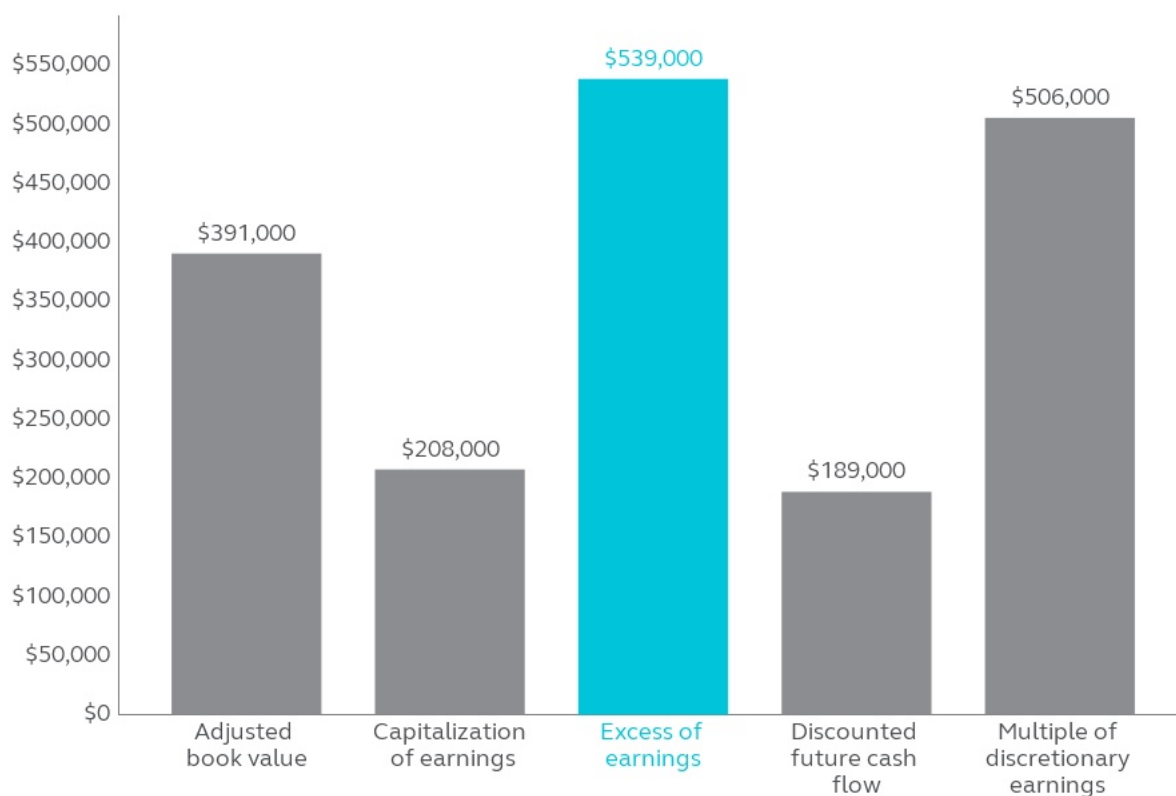
This summary of your provided financial information was used to calculate the business valuations that follow.

Income	2015	2016	2017	2018
Revenues	\$316,508	\$628,863	\$713,138	\$580,050
Pre-tax operating income	\$18,973	\$46,220	\$47,885	\$45,711
Depreciation	\$9,812	\$14,832	\$17,964	\$15,344
Owner compensation	\$0	\$0	\$0	\$0



Your informal business valuation

We've provided values using five generally accepted methods of valuation. Your company profile suggests the highlighted value below may be most appropriate for your business.



Adjusted book value method Assets, with adjustments, less liabilities - generally represents the "liquidation" value	\$391,000
Capitalization of earnings method Amount of capital that would have to be invested at a specified rate to yield the current average net annual earnings of the business	\$208,000
Excess of earnings method A combination of the adjusted book value and capitalization of earnings methods	\$539,000
Discounted future cash flow method Projected future business earnings forecast, then discounted using an appropriate rate	\$189,000
Multiple of discretionary earnings method Earnings provided by goodwill, times a multiplier; adjusted book value is added to this number	\$506,000

Calculations

Assumptions

Average operating income:	\$54,000
Excess owner compensation ¹ :	\$0
Capitalization rate:	26.0%
Rate of return on assets:	4.0%
Earnings multiplier:	3
Number of years to forecast:	4
Discount rate:	15.0%
Growth rate:	5.0%

Adjusted book value method	
Book value	\$391,026
Plus adjustments +	- \$26
Adjusted book value	\$391,000

Capitalization of earnings method	
Average operating income	\$54,000
Plus excess owner + compensation	\$0
Total	\$54,000
Divided by capitalization rate ÷	26.0%
Capitalization of earnings	\$207,692

Excess of earnings method	
Average operating income	\$54,000
Plus excess owner + compensation	\$0
Less adjusted book value - multiplied by rate of return on assets	\$15,640
Total	\$38,360
Divided by capitalization rate ÷	26.0%
Excess of earnings on assets	\$147,538
Plus adjusted book value +	\$391,000
Excess of earnings	\$538,538

Discounted future cash-flow method	
Average operating income	\$54,000
Plus excess owner + compensation	\$0
Total	\$54,000
Growth rate	5.0%
Number of years to forecast	4
Discount rate	15.0%
Discounted future cash flow	\$189,000

Multiple of discretionary earnings method	
Average operating income	\$54,000
Plus excess owner + compensation	\$0
Less adjusted book value - multiplied by rate of return on assets	\$15,640
Total	\$38,360
Multiplied by earnings multiplier x	3
Total good will	\$115,080
Plus adjusted book value +	\$391,000
Multiple of discretionary earnings	\$506,080

¹ Excess owner compensation is defined as salary over and above what the owner would pay a key employee to perform similar services that the owner is now performing, without incurring the additional risk of business ownership.

Protect your business with a buy-sell agreement

A properly funded and current buy-sell agreement helps business owners make sure they have the right amount of money, in the right place, at the right time.

With a little coaching from Principal, you can design a buy-sell agreement which:

- Provides departing owners a market and price for an asset that might otherwise be hard to sell;
- Prevents an unqualified or undesirable individual from acquiring an interest in the business;
- Minimizes business disruptions at various triggering events;
- Provides assurances to employees, customers, suppliers and creditors that the business will remain strong through owner transitions;
- Provides both the financing and the mechanism to ensure that control of the business will remain with the current owners (when funded with insurance).

Important features of a buy-sell agreement

- › Firm buy-sell commitments
- › A comprehensive list of clearly defined triggering events
- › Funding that's consistent with plan design
- › A clearly designated or defined purchase price
- › Clear, realistic payment terms
- › Language addressing purchase options for life and/or disability income insurance policies



Business ownership

Owner	Ownership %	Value today	Estimated future value ¹
Kenneth R. McIntire	100.00%	\$539,000	\$687,915

¹ Estimated future value is based on a 5.0% growth rate and 5 year(s) in the future.

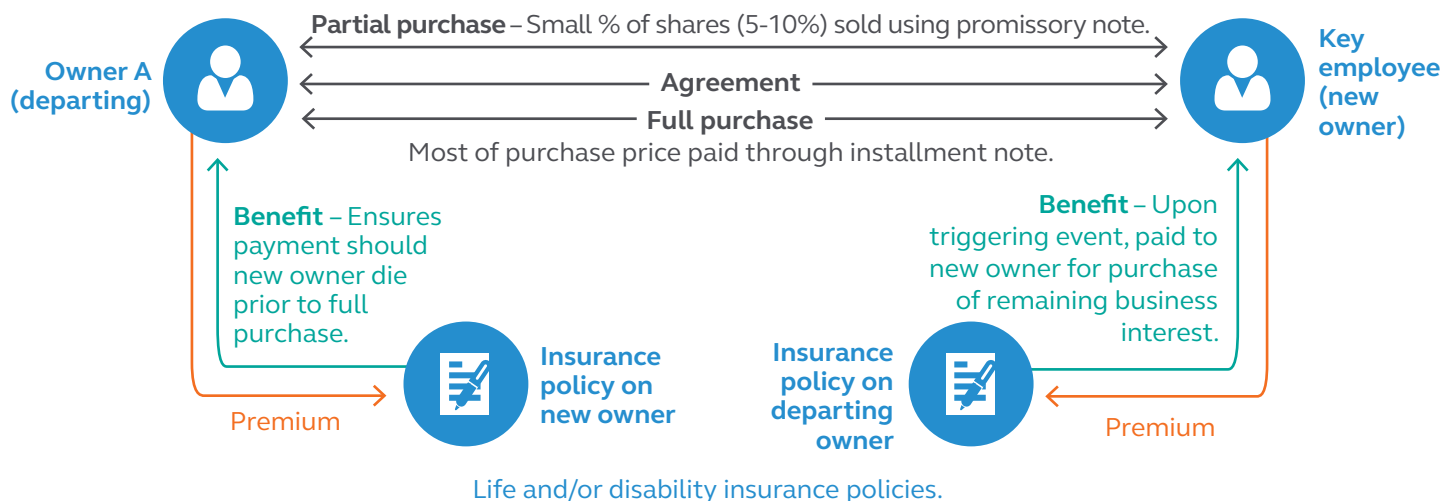
You may want to consider the following
business succession solutions.

Sole-owner transition plan

A sole owner transition plan can help protect the future of your business. When businesses are owned by one person (or two spouses with one being the primary owner/manager), this arrangement can help employees acquire the business when they may not have otherwise had the resources. It can document plans for transferring the business for planned events such as your retirement, as well as unplanned events such as death or disability.

Here's how it works

Once a key employee purchases a small percentage of the business, a buy-sell agreement is put in place that obligates he or she to purchase the remaining business interest of the departing owner. Upon the triggering event, the key employee then uses installment notes to complete the purchase. Life and disability insurance can help finance this purchase. Plus, it protects the departing owner from the unexpected death or disability of that key employee (purchasing owner).



What you need to know

There are advantages to this sort of an agreement, just as there are some other things to consider.

Business does not incur costs – The business is not a party to the agreement, but may choose to bonus premium payments to owner and key employee.

New owner receives tax benefits – Insurance proceeds are income tax-free. And, cost basis in the company is increased by the amount paid to the departing owner (or heirs).

Owner and key employee are owners and beneficiaries of each other's policies – Each pays premium with after-tax dollars.

Tax implications can vary by triggering event – Family members generally receive an adjustment in cost basis following an owner's death. For disability and other lifetime triggering events, the selling owner may recognize capital gain.

How to fund a buy-sell agreement

Buy-sell agreements involve the selling and buying of the departing owner's business interests according to the terms of the formal agreement. This means money will be needed to complete the transaction when it occurs. So, it's best to have a plan for securing that money. There are basically five options for this.

Funding methods

Cash – Requires sufficient cash flow to pay the full price in a lump sum.

Loan – Involves unknown factors such as future credit availability and cost of borrowing. Borrowed funds must be repaid (with interest) from earnings. A down payment is generally required.

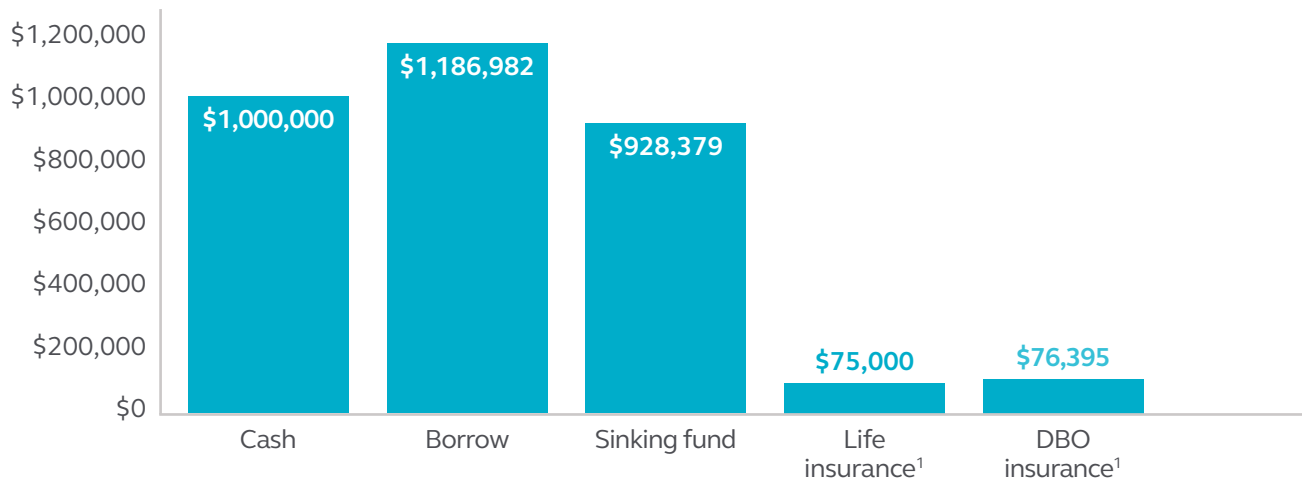
Savings – Doesn't assure that sufficient funds will be available when needed because of unpredictable departure timing.

Installment sale – Requires repayment from earnings and is contingent on future success of the business.

Insurance – Provides liquidity when purchased upon the implementation of an agreement. Since the death or disability of an owner is often unpredictable and disruptive to a business, each is typically a mandatory triggering event in a buy-sell agreement.

How do you decide which method is appropriate for your situation? Timing of liquidity and cost are typically the key considerations. Compare these hypothetical protection costs for a \$1,000,000 purchase price.

Hypothetical funding method cost at end of 15 years



Assumptions:

Cash	\$1,000,000
Borrow	Represents five equal annual payments of \$200,000 plus interest at 6%.
Sinking fund & cash	Sinking fund of \$146,621 (annual deposits equal to the life insurance premiums growing at 8%) plus the balance necessary of \$853,379 in cash.
Insurance	Life – Estimated premiums of \$5,000 for Male, 45, Preferred, Non-tobacco, UL Flex II policy. Disability Buy-Out (DBO) – estimated premiums of \$5,093 for Male, 45, Executive Occupation class DBO policy. Insurance premiums paid for 15 years. Not valid without accompanying insurance illustrations. See illustrations for important information.

¹The amount of insurance available to purchase depends upon the value of the business. Underwriting standards for life insurance and disability coverage are different. Disability buy-out insurance may not be available for every business.

Protect your business from the loss of a key employee

In the event of a death, disability or resignation of a key employee, would your business be as successful as it is today? A business protection plan can help you prepare for the unexpected and lessen the impact of such a loss. Unfortunately, only 36% of business owners have a business protection plan in place¹, leaving them exposed to risk.

A business protection strategy can lower the risk. It allows you to implement a financial cushion, with cost-effective liquidity, which can help replace and/or retain key employees who critically impact the value of your business.

Are business protection solutions right for your business?

Before moving forward with a strategy, an important first step is to ask “Who exactly are my key employees?” Think about the employees in your organization who really make a difference. Consider the areas of operations, workflow, relationship management, customer relations, sales and profitability.

Then, think about these questions:

Yes No

- ☐ ☐ Would your business be negatively impacted by the **loss of a key employee**?
- ☐ ☐ Are you interested in developing special incentives to **tie your key employees to the business** for the long term?
- ☐ ☐ Would your key employees like to **save more money** on a tax-advantaged basis?

If you answered yes to any of these questions, you can implement simple strategies to help. There are generally two types of solutions: **key person protection** and **key employee benefits**.

Key person protection

Protect the integrity, cash flow and ongoing success of your business from the loss of a key employee due to death, disability or termination of employment. Key person insurance helps the business overcome additional expenses associated with recruiting and training a replacement.

¹ 2017 Principal Financial Business Owner Survey.

Key employee benefits

Recruit, reward, retain and retire the key employees with key employee benefit plans. These plans can help you by helping them. They can provide additional benefits and/or help them make up for benefits lost due to government restrictions placed on qualified retirement plans. The result? More engaged and loyal employees and a great recruiting tool, too.

Specifically, these plans:

- Enhance your total benefits package by offering a financial reward.
- Encourage loyalty by helping to secure their financial futures.
- Give key employees an incentive to grow the business.
- Provide simplified government reporting and disclosure rules – or none at all.

Considerations for common key employee benefit plans				
Business considerations	Principal Executive Bonus Plus SM	Principal SERP Select SM	Principal Select Reward Plan	Executive Nonqualified Excess Plan SM
Immediate tax deduction	Yes	No	No	No
Golden handcuffs	Limited	Yes	Yes	Yes
Cost recovery	No	Yes	Yes	Yes
Administrative services	Yes	Yes	Yes	Yes
Employer contributions	Yes	Yes	Yes	Yes
Employee contributions	Yes	No	No	Yes

You may want to consider the following
business protection solutions.

Key person life insurance

The most valuable assets of any business are often the key people who contribute most to its success. They generate revenue, handle major responsibilities and have a unique wealth of knowledge that seems irreplaceable.

Have you considered the amount of time and money it would take to replace your top talent? If their loss would create a financial burden that puts the business at risk, a key person insurance policy is a simple and efficient solution.

Here's how it works

Your business is the owner and beneficiary of a life insurance policy for each key employee chosen, which can include business owners. If the unexpected does happen, the business receives cash, generally income tax-free, to help overcome the financial burden of the loss.



What you need to know

There are advantages to this sort of an arrangement, just as there are some other things to consider.

Immediate cash – So you don't have to worry about how you will pay for the loss and replacement of a key employee.

Cost efficiency – Low-cost term or permanent policies may provide significant death benefits.

Cash value potential with permanent policy option – Potential cash values can remain an asset on your balance sheet or be used for other expenses, such as a key employee benefit program.

What is right for you – There are several insurance and funding options. Carefully decide what is best for your business.

Effect on your assets – Understand how significant life insurance policy holdings will affect your capital and liquidity.

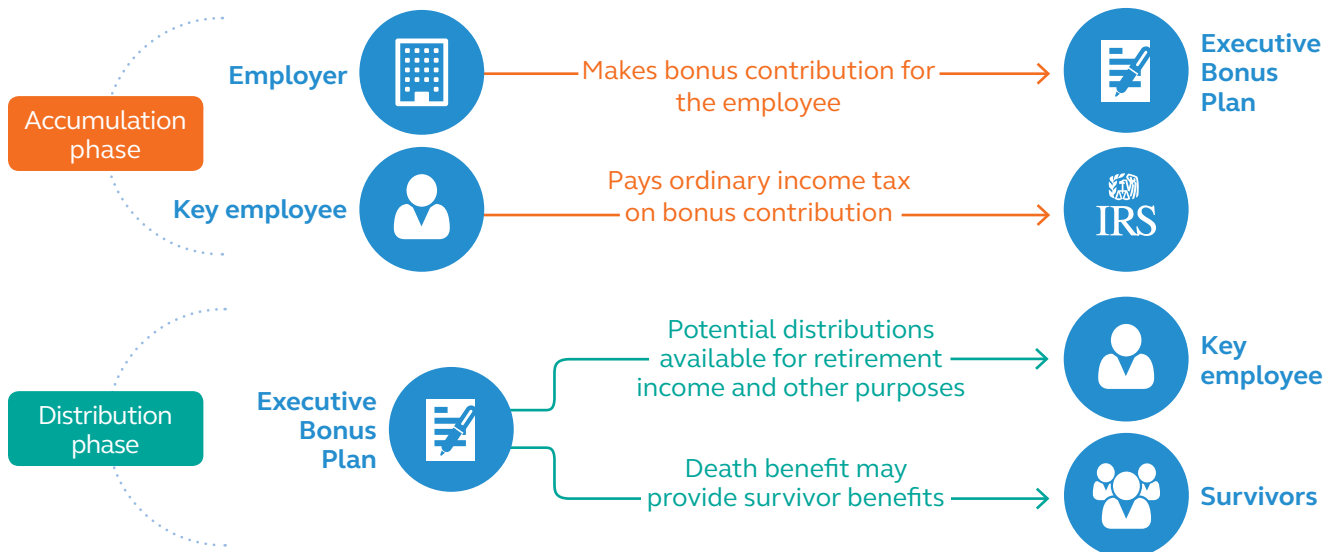
Employee retention – If keeping your key employees is a concern, consider a retention bonus plan that allows you flexibility as well as funding to protect your most valued employees under multiple scenarios.

Principal Executive Bonus PlusSM

This retirement benefit is an incentive plan that offers your key employees multiple benefits. It helps your top talent increase their savings for the future, while helping you reward and keep them for the long term. Plus, contributions are tax-deductible to you, and it's easy to administer.

Here's how it works

Typically, the bonus you contribute to the plan for select key employees is used to buy a life insurance policy from Principal¹. This policy funds the Executive Bonus Plan and provides retirement income, death benefit protection, as well as additional living benefits.



What you need to know

There are many advantages to this plan, just as there are some things to consider.

For your business:

Increase morale – It's an effective way to recruit, reward, retain and retire the employees who are most valuable to your business.

Receive tax deduction – You receive a current tax-deduction¹ on the bonuses contributed to the plan.

Communicate easily – Its simple and flexible plan design is easy to communicate and maintain.

Save time – You save time by not having to deal with annual reporting or ERISA requirements.

Impact cash flow – Bonuses you pay reduce company cash flow.

For your key employees:

Save more – More can be saved for retirement; above the limits of a qualified plan, such as a 401(k) or 403(b).

Receive multiple benefits – In addition to retirement income, it provides access to funds to address unexpected events, such as disability, chronic illness and other financial needs.

Enhance financial security – The employee's family may receive tax-free benefits at the employee's death.

Owens the policy – The key employee owns the life insurance policy², but must stay with the organization to be eligible for the bonus.

Pay potential taxes – An additional tax may be due if the employer's bonus doesn't cover all of the income tax. However, the tax on the bonus may be partially or fully offset with another employer bonus.

¹ Due to the flow-through tax treatment of some businesses, such as S corporations and limited liability corporations (LLCs), you may want to consider specific plans designed to benefit the owners of these entities.

² Additional financing options may be available.

Your business plays a key role in your retirement

You've poured a lot of yourself into making your business successful. Now, it's time to take a few steps to make sure you're building a solid foundation for your retirement. A number of business owners – 23% – say they don't even plan to retire¹. Many fear they can't afford to. Regardless of whether you're concerned about the economics of it or have been dreaming about it for years, your business can play a key role.

Many financial professionals say that each of us will need annual income of at least 80% percent of our pre-retirement earnings to maintain our current standard of living during retirement. Where will that money come from? You may be relying on a combination of Social Security, a qualified retirement plan such as a 401(k) plan and your business. However, Social Security and qualified retirement plans can actually discriminate against business owners by placing limits on contributions, payouts and tax advantages. This can result in a retirement income gap.

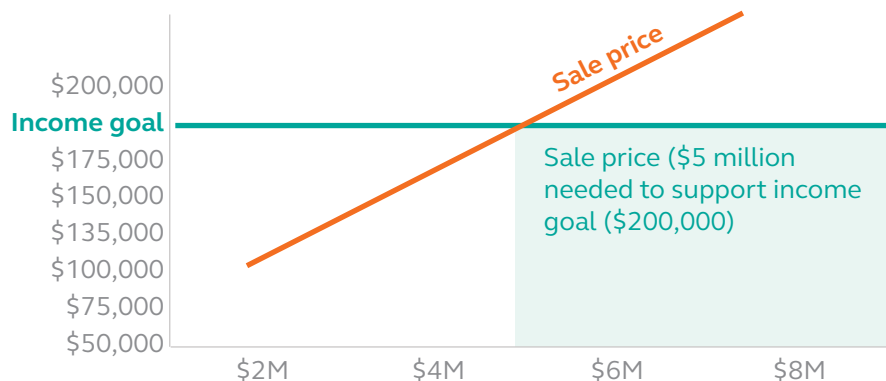
Your business holds the key

Depending on the value of your business and the strength of your transition plan, your business can generate income during retirement, just like it has done through your working years. All it takes is some careful planning.

You may choose to hold onto your business and use a continuing income stream for retirement income. But what will the impact be to the cash flow of the business? Alternatively, a nonqualified retirement plan can be set up through your business to help provide supplemental income.

Another very likely scenario involves using the proceeds from the sale of your business for retirement income. Many assume that the sale will provide enough to keep them comfortable. But, some find out when it's time to sell that the business isn't worth enough to sustain their income needs. In order to know where you stand, you need to consider the potential sale price of your business. Then, you can plan accordingly.

Hypothetical sale-to-income challenge



¹ Harris Interactive business owner survey 2017.

You may want to consider the following retirement solutions.

Protect your income and your business

Disability insurance protects your income against life's uncertainties so you can avoid dipping into savings or retirement assets when you're not working. Individual disability income insurance can help replace a portion of your income lost due to a prolonged illness or injury.

Consider the **four key areas** that can be impacted by a disability event.

Income protection/ benefit planning

How will you pay the bills if you become too sick or hurt to work? Do you offer employees group long-term disability (LTD) insurance? Do you offer special benefits to retain/reward your key employees?

Individual disability income insurance can help:

- › Provide for your family if you become too sick or hurt to work.
- › Maintain your lifestyle without draining savings or business profits.
- › Provide benefits for employees.

Retirement savings

Would you or your key employees still be able to save for retirement if you could no longer work due to a disability?

DI Retirement Security¹ can help:

- › You continue to save for retirement since often 401(k) (and employer match), Social Security and pension plan contributions stop if you can't work.

Business protection

How will you pay business loans and expenses if an owner becomes too sick or hurt to work? What will you do if a key employee can't work due to a disabling illness or injury?

Three solutions offer protection:

- › **Overhead expense insurance** – Reimburses you for fixed business expenses.
- › **Business loan protection**² – Provides payments to help cover the cost of a business-related loan obligation.
- › **Key person replacement insurance** – Provides benefits to the business in the event an insured key employee becomes totally disabled.

Business succession planning

If you have a buy-sell agreement, is it funded if an owner becomes disabled?

Disability buy-out insurance funds a buy-sell agreement to buy out a totally disabled business owner. This allows you and your partners to:

- › Maximize the financial return when the business is transferred, while minimizing tax liability.
- › Help the business survive a partner's departure, allowing remaining owner(s) and their family(ies) to receive the full value of the business.

¹ DI Retirement Security is issued as a non-cancelable, guaranteed renewable, individual disability income insurance policy. It is not a pension or retirement program or a substitute for such a program. DI Retirement Security is not available for government employees or anyone who is over insured based on Principal Life's current Issue and Participation guidelines. It may not be available or the benefit amount may be reduced for certain occupations if there is existing DI coverage with lifetime benefits. Additional underwriting guidelines may apply.

² Available as a rider on an overhead expense insurance policy.

You may want to consider the following
disability insurance solutions.

Key person replacement insurance

Make sure your business is protected – no matter what life brings – with key person replacement insurance. It pays benefits to your business if a key person (or you, the owner) becomes totally disabled. The remaining owner(s) can use the benefits as they wish – to cover recruitment costs, pay for temporary staffing, replace revenue or deal with other business needs.¹

Here's how it works

Your business is the owner and beneficiary of a disability insurance policy for each key employee chosen, which can include owners. If a total disability occurs, the business receives cash, generally income tax-free, to help handle the loss.



What you need to know

There are advantages to this sort of protection, just as there are some other things to consider.

Tax-free benefits – The business generally doesn't pay income taxes on the benefits received.

Financial stability – You don't have to worry about how you will pay for the loss and replacement of a key employee and the policy can demonstrate financial stability to creditors and clients.

Business owns the policy – Benefits can't be assigned to the employee and are paid only to the business.

¹ The benefit payments cannot be given to the disabled key employee or owner.

Plan services that make things easier for you

It takes a lot of work to run a company, to say the least. And, we understand you may not have time to think about business transfer strategies, employee retention programs or retirement planning. That's okay. That's why we're here.

How do you get started?

After helping you identify the right solutions for your organization, Principal will help you implement them properly. Staffed with attorneys, CPAs and plan design specialists, our Advanced Solutions team is ready to assist you with design consultation and sample plan documents. But, we don't stop there.

Your needs may change. Regulations may change. We can help you keep up with both.

You don't have to take care of the ongoing management of your plan all by yourself. We provide dedicated, ongoing support for your employer-owned and employer-sponsored plans funded with life insurance. And we'll be there not just today, but throughout the life of your plan.

Administrative services

Dedicated administrator – Personally assists you with enrollments, policy adjustments, service requests, policy illustrations and more.

Plan-level reporting – Makes participant communications and any needed tax reporting easier. Consolidated reports show current coverage amounts, policy values, and premium information for all participants with life policies under your plan.

List billing – Delivers consolidated payment reminders covering all policies under your plan – billed annually, semiannually, quarterly or monthly.

Online access – Allows you to view policy information 24/7. Policy owners may also make changes or initiate service requests.

Supporting you every step of the way



How do you get started?

We know that we've given you a lot to think about in this report. That's why we've summarized it here and highlighted some key planning considerations for you and your business. To help you figure out where to start, we recommend that you:

- 1 **Review this summary**
- 2 **Rank your priorities**
- 3 **Set a target date to implement**
- 4 **Work with your financial professional on next steps**

Priority ranking Target date

Business succession planning

Buy-sell agreement – It's important for businesses with a single owner to have a formal succession plan. You may want to consider the following. Otherwise, you should have at least enough personal life and disability insurance to protect your family if something should happen to you.

- A sole owner transition plan

Business succession planning – In order to help you successfully transition out of your business, numerous buy-sell and transfer strategies are available. Principal can consult with you to identify a solution best suited to your unique needs and company characteristics.

Business and key employee protection

Key person life insurance – It's likely that your business relies heavily upon the talents of your key employees. Consider purchasing life insurance policies on all owners and those key employees integral to the success of your business. Principal offers a key person calculator to help you and your financial professional determine the appropriate amount of coverage.

Recruit, reward, retain, retire key employees – Consider the following to help fulfill a valuable benefit for select key employees that can also help you recruit, reward, retain and retire those who are vital to the success of your business.

- A nonqualified Principal Executive Bonus Plus plan

	Priority ranking	Target date
Disability income protection		
Key person replacement insurance – Consider how your business might suffer in the event a disabling illness or injury kept a key employee from working. From managers to administrative assistants or other integral individuals, there could be a significant negative impact on sales, customer relationships and/or creditors.		



No one knows your business and your specific needs as well as you do. By working closely with your financial professional, you'll be able to formulate a plan that works for you. Whether it's analysis of your current plans, assistance with future plans, insurance protection or all three, Principal is here to help.



You benefit from a partner who knows business

As the owner of a business, your financial needs are different than those of other individuals. So, it only makes sense to work with a company that understands the financial needs of businesses and their owners. We help business owners like you every day. This means we have the expertise, solutions and services to consult with you on financial solutions that help address specific needs.

- No. 1 provider of nonqualified deferred compensation plans¹
- Provider of complimentary business market administrative services for more than 30 unique program designs and over 16,000 plans.
- Preparer of thousands of informal business valuations since 2011.
- Reviewer of more than 1,500 buy-sell agreements since 2011.

¹ Based on total number of Section 409A plans and non-governmental 457 plans, PLANSPONSOR 2017 Recordkeeping Survey, June 2017.



principal.com

The previous pages depict certain business planning options. All of these options are based on the information you shared with us for this purpose and the assumptions stated throughout the report. Of course, any variance in the information or assumptions could change the results.

All assets assume specific growth rates, calculated based on information from the client. These individual rates are used to project the possible growth of the business. These projections are made to estimate future business insurance needs.

Although the informal business valuation from The Principal can provide a valuable starting point in helping you determine the value of your business, the valuation will not be a substitute for a formal valuation nor does it establish a value for tax purposes. A formal valuation should be constructed with the guidance of your legal and/or tax advisors.

Solutions outlined in this report do not imply a recommendation that a specific business planning option should be implemented. Rather it represents a summary of potential considered strategies, which each individual should discuss with his or her tax advisor, attorney, and/or other professional advisor before taking any action.

Because your business planning goals may change in the future, periodic monitoring should be an essential component of your program.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

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