



## Business Valuation

# Generate Sales with Buy-Sell Review

***Are you selling in the small business market? If not, why not?***

### The opportunity

- Today small businesses with fewer than 500 employees account for 99.9 percent of all firms in the United States.<sup>1</sup>
- Small firms employ over half of U.S. workers. Overall, small firms are responsible for 44 percent of the total U.S. payroll.<sup>1</sup>
- Consider the real opportunity for you as a producer. Small business owners represent a lucrative market with significant risk protection needs. Over half of all U.S. individuals with more than \$3 million in investable assets own a business.<sup>2</sup>
- In looking at the Principal Financial Group® 3rd Quarter Well Being Index results as well as other research, we know that small business owners' existing coverage levels reveal opportunities to increase sales. We also know from a LIMRA study that they want life insurance for estate liquidity and key person coverage.<sup>3</sup>
- In fact, the most common business life insurance purchases are to provide liquidity for the owner's family, manage continuity planning after the loss of a key employee, repay plans and mortgages, and cover the costs associated with a buy-sell agreement.<sup>4</sup>

### The approach

So how can you approach a small business owner? Once you are introduced, ask when his or her buy-sell agreement was last reviewed or when the business was last valued. In the past year, our Advanced Solutions team has reviewed over 150 buy-sell agreements and prepared over 500 business valuations.

Below are some probing questions to ask based upon the most common issues revealed in our reviews:

- *I see you have an installment payout for your buy-sell agreement. What is your plan for handling the cash flow?*
- *I see you have an optional buyout at death in your plan. How would that protect your family in the event of your death?*

- *I didn't see any disability language in the document. How do you plan to deal with that possibility?*
- *What are your plans for retirement? There doesn't appear to be any discussion of a retirement buyout.*

These questions may offer a great opportunity to sell life insurance, disability insurance or other financial products. Don't miss out on this lucrative business insurance market.

## Marketing materials

The Principal<sup>®</sup> offers a variety of valuable tools to get you started. Go to [www.principal.com/exitplanning](http://www.principal.com/exitplanning) to view them on our Principal eFinancial Professional<sup>SM</sup> Web site.

<sup>1</sup> *Frequently Asked Questions*, SBA Office of Advocacy, September 2009

<sup>2</sup> VIP Forum Analysis of 2007 Survey of Consumer Finances

<sup>3</sup> LIMRA MarketFacts Quarterly, Spring 2009, James O. Mitchell

<sup>4</sup> *Marketing to Small Business Owners*, James O. Mitchell, LIMRA, March 19, 2009

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