

# Group Life for a Growing Business?

*Companies adding employee benefits may want to consider it.*

Provided by DSA Financial Group

**As companies grow and add employees, they also add employee benefits.** Retirement and medical plans can be provided, but what about group life insurance?

**Group life on the menu?** Owner-operators know that group life coverage can help attract excellent workers, but some are anxious about the cost and suspect they are just “small fish” to insurers. In reality, coverage may be very affordable and include a variety of policy choices.

**Several factors will affect the cost and availability of life insurance,** including the number of eligible workers, their ages and genders, the nature of your business, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. You should consider determining whether your company wants to expand its benefits package before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

**Group life is about more than just a basic death benefit.** A company may be able to structure it to provide much more coverage for its key people, such as the owner and 1-2 workers who have skills and knowledge critical to keep the business going. In addition, group life insurance policies can play a role in business succession. If a company has two (or more) owners, the owners may opt to buy life insurance policies for each other. If one owner dies, the other owner(s) may use policy death benefits to buy the business's deceased owner's share.

**Some businesses pick up the whole cost of group life coverage for their workers.** One choice is to offer plan participants term life policies with a flat-dollar amount – say, \$20,000-\$50,000. Alternately, you may offer to provide coverage equal to an employee's salary. However, if your business pays for more than \$50,000 of tax-free group life coverage for a worker, any amount of coverage above \$50,000 must be noted as a taxable benefit on their W-2 form.<sup>1</sup>

Group life coverage comes in the form of term life policies, which may be less expensive than permanent life policies. When an employee leaves the company, that employee loses coverage and drops off the plan. Premiums for a plan participant may rise slightly as that worker ages.<sup>1</sup>

**Disability insurance can play a role.** Your work may not be that risky, but you cannot watch over the lives of your employees 24/7. Short-term or long-term disability coverage is a perk that can help attract employees. Remember, disability insurance is issued by participating insurance companies. Not all policy types and product features are available in all states. Any obligations are dependent on the ability of the issuing insurance company to continue making claim payments.

**An insurance professional may be able to help.** You want someone who has helped start-ups and relatively new businesses, someone who understands the day-to-day life, pressures, and goals of a small company. Begin there, and explore your options.

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#### **Citations**

1. Investopedia, July 4, 2020