A STRATEGY SPOTLIGHT

Protect Your Business and Your Balance Sheet

Profitable growth is essential for any business to be successful. Often, it is a few key individuals who are responsible for most of that growth and success. Life insurance can play an important role in how a business rewards and retains such individuals, as well as protects itself from the loss of these key employees.

Unfortunately, the cost of protecting your business can stress the company’s balance sheet. Generally speaking, a business’s retained earnings are reduced by the difference between the premium paid for life insurance (an expense) and the policy’s cash value (an asset). This also affects the company’s cash-to-debt ratio, which in turn, may affect its ability to obtain financing and even its overall worth or profitability.

The Need:

Your business may want to provide an executive benefit in the form of a deferred compensation or Split Dollar arrangement. Or, perhaps your family is trying to protect their business from being liquidated in order to pay estate taxes and other debts. The cost for life insurance can strain the financials of a business, especially during the early years when many of these policies lack significant cash values to offset the premiums paid by the business. In fact, with such traditional life insurance funding solutions, company profitability during the first year may be decreased by as much as 100% of the premiums paid.
The Possible Solution:

A Massachusetts Mutual Life Insurance Company (MassMutual) Whole Life Legacy High Early Cash ValueSM (Legacy HECV), as the name suggests, offers high cash values in the policy’s early years. Let’s look at an example of Legacy HECV in action:

Let’s assume your business wants to fund a deferred compensation arrangement with $1,000,000 of life insurance for a 35-year-old male, Select Preferred Non-Tobacco, but does not want to take a big “hit” on the balance sheet. Should your business consider traditional whole life insurance, such as MassMutual Whole Life Legacy 100SM (Legacy 100) or a MassMutual Whole Life Legacy HECV policy? Let’s take a look.

<table>
<thead>
<tr>
<th>Policy Year</th>
<th>Legacy HECV - Annual Premium $13,470</th>
<th>Legacy 100 - Annual Premium $11,720</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Premium</td>
<td>Guaranteed Cash Value</td>
<td>Balance Sheet Impact</td>
</tr>
<tr>
<td>Year 1</td>
<td>$13,470</td>
<td>$12,080</td>
</tr>
<tr>
<td>Year 2</td>
<td>$26,940</td>
<td>$25,500</td>
</tr>
<tr>
<td>Year 3</td>
<td>$40,410</td>
<td>$35,490</td>
</tr>
<tr>
<td>Year 4</td>
<td>$53,880</td>
<td>$45,810</td>
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<tr>
<td>Year 5</td>
<td>$67,350</td>
<td>$56,450</td>
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The Benefit:

The table on the previous page illustrates how Legacy HECV’s guaranteed cash values help to minimize its balance sheet impact (guaranteed cash value less total premiums) versus Legacy 100 product. The Legacy 100 product has a lower premium, but its guaranteed cash values are not as attractive as the higher-priced Legacy HECV product. The positive impact of policy cash values is further enhanced when we take into consideration the policy cash values resulting from the non-guaranteed dividends. Whole life insurance provides three fundamental guarantees:

- A guaranteed level death benefit (guaranteed face amount).
- A guaranteed level premium and premium payment period.
- Guaranteed increases in cash value.

Purchasing Legacy HECV life insurance further enhances these guarantees by:

- Minimizing the impact of the life insurance on a business’s cash-to-debt ratios.
- Positioning the cash value in the policy as an asset that can be carried on the business’s balance sheet.
- The use of riders may enhance policy cash values and provide additional supplemental retirement income.
- The potential for dividends to further increase the cash value and death benefit or reduce premiums.

Target Markets:

MassMutual Whole Life Legacy HECV life insurance can be ideal for a small business that needs funding for a buy-sell arrangement or key employee insurance. The versatility of Legacy HECV also meets small business’s needs for employee nonqualified benefit funding such as deferred compensation, executive bonus and Split Dollar arrangements.

For additional information, talk to your financial professional.
Since 1851, our business decisions have been guided by our customers’ needs. Today, we offer a wide range of financial products and services to help people secure their future and protect the ones they love.

Learn more at [www.massmutual.com](http://www.massmutual.com)