

Protecting your income as a business owner

Defining compensation by including both profits and salary

As a business owner, your income can't be measured by salary alone.

That's why Principal® group life and disability contracts include a definition of compensation exclusively for business owners that looks at the net profits of the business averaged over the last two years plus salary.

Example of a business owner's income

This table highlights an example of the complete earnings profile of a business owner by looking at a salary and business profits.

	2015	2016
Owner's share of business profits	\$49,000	\$61,000
Owner's salary (W-2)	+\$63,000	+\$43,000
Total	\$112,000	\$104,000
Two-year average	\$108,000	

Comparing different benefits

Now, consider the difference in insured income under Principal's contracts with our definition vs. popular industry standards – (A) Base wage definition and (B) W-2 two-year average definition. The Principal language has a significant effect on both a 1x salary life coverage contract and a monthly benefit of 60 percent to \$6,000 long-term disability coverage contract.

Contract compensation type	Insured income	Life insurance 1x salary	Long-term disability 60% monthly benefit
(A) Base wage definition	\$43,000	\$43,000	\$2,150
(B) W-2 two-year average	\$53,000	\$53,000	\$2,650
Principal owner definition of compensation	\$108,000	\$108,000	\$5,400

Standard features and benefits

In addition to covering business profits plus salary for owners, our standard life and disability contracts come with features and benefits that take the unique needs of business owners into account.

- Flexible life and disability benefit designs
- No offset for business profits during total disability
- Recognition of an immediate inability to earn income during partial disability
- Up to 100% income replacement during partial disability
- In-house Certified Public Accountant dedicated to reviewing all business owner life and disability claims

And as a business owner, don't forget your benefits are paid on a tax-free basis when premiums are paid with after-tax dollars.

Protect your income

Principal is dedicated to helping business owners protect their income by providing life and disability insurance policies that give you and your business needed protection if the unexpected happens.

 **Let's connect** | Contact your financial professional or go to [principal.com](https://www.principal.com).



[principal.com](https://www.principal.com)

Insurance issued by Principal Life Insurance Company, Des Moines, Iowa 50392-0001

This is an overview of Principal group life and disability coverage for business owners. The group policy determines all rights, benefits, limitations and exclusions of the coverage described here. Contact your local sales representative for more information, including costs and a full proposal outlining the coverage.

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