

Mitigating the impact of the costs associated with the untimely loss of the key person from the employ of a business entity.



## Key Features

<b>Who is a Key Person?</b>	A key person is a critical employee that plays a key role in the success and continuity of the business entity. He or she may be the chairperson, legal advisor, managing director, IT programmer or an individual with specific skills and substantial responsibilities. The loss of this person would significantly disrupt the normal operations of the company.
<b>Product structure</b>	The <b>360Business – Key Person Plan</b> consists of a Death benefit taken out on the life of a key person. The cover may, based on circumstances, be enhanced from time to time. Optional accelerator benefits include: a. Lump Sum Disability benefit b. Critical Illness benefit
<b>Benefits to the business entity</b>	<ol style="list-style-type: none"> <li>1. Ensure the viability and sustainability of the business.</li> <li>2. Protect the business goodwill and future growth of the business entity.</li> <li>3. Give accessibility to funds to cover the necessary operational costs, thus enhancing cash flow.</li> <li>4. Safeguard the business from liquidation.</li> </ol>
<b>Premium payable</b>	The premium payable is based on the cover amount for the Death benefit selected, together with any Accelerator benefits
<b>Tax implications</b>	<p>It should be noted that there have been numerous changes to the legislation that affect Key Person policies over a relatively short period of time. The environment is expected to change again when the current Bill is promulgated.</p> <p>In the current environment there is no reference to 'Conforming' and 'Non-conforming' policies, in terms of Section 11(w) of the Income Tax Act. Either the policy is structured in the appropriate way and premiums will receive an upfront deduction for tax purposes, or if they do not comply no upfront tax deduction will be available. In all instances the proceeds will be treated as income and therefore taxable.</p> <p>When the Bill is promulgated all policies will default to an 'opt-out' status or what was traditionally called a 'Non-conforming' policy.</p> <p>In this instance premiums do not receive an upfront deduction for tax. Proceeds are not treated as income and therefore not taxable in the company.</p> <p>Given these complexities it is always recommended that clients seek both financial and legal advice as appropriate.</p> <p>An annual statement reflecting the premiums paid, and whether the policy conformed with the relevant legislation, will be mailed, annually, to the Policy Owner. This will be in respect of the business entity's tax year, which may not necessarily be the policy anniversary.</p>
<b>Conversion option</b>	On early termination of this policy the Insured Life may convert their cover under this Policy to a <b>360Life</b> individual policy for the same benefits, for the outstanding term, subject to a minimum of 5 years. The <b>360Life</b> premium will be calculated using the age when this option is exercised, and acceptance will be subject to Financial Underwriting.
<b>Loans</b>	There is no loan facility on this plan
<b>Cessions</b>	Outright and Security Cessions are allowed on the <b>Key Person Plan</b>
<b>Term</b>	Whole Life and Term cover options are available.
<b>Important information</b>	<ul style="list-style-type: none"> <li>· Only a legal entity may be the Policy Owner and Premium Payer.</li> <li>· Only one Insured Life is allowed per policy.</li> </ul>

For further information contact your Nedbank financial planner or call Nedgroup Life Client Services Contact Centre on 0860 263 543 or visit [www.nedgrouplife.co.za/products](http://www.nedgrouplife.co.za/products)

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