



Group life and disability insurance

# 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 salary and business profits.

	2021	2022
Owner's share of business profits	\$49,000	\$61,000
Owner's salary (W-2)	+\$63,000	+\$43,000
Total	\$112,000	\$104,000
<b>Two-year average</b>	<b>\$108,000</b>	

## Comparing different benefits

Look at the example below to see the difference between insured income under popular industry definitions (Base wage and W-2 two-year average) versus the Principal contract 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 definition	\$53,000	\$53,000	\$2,650
<b>Principal owner definition of compensation</b>	<b>\$108,000</b>	<b>\$108,000</b>	<b>\$5,400</b>

## Standard features and benefits

On top of 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 group 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**.

\* CPA does not provide tax or accounting services on behalf of the companies of the Principal Financial Group®.



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This flyer is not approved for use in Arizona or New Mexico.

This is an overview of the benefits of group life and disability insurance, but there are limitations and exclusions. For cost and coverage details, contact your Principal® representative

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