

Overview | Principal® Death Benefit Only (Tax Exempt) Plan

Peace of mind for your key employees can make all the difference

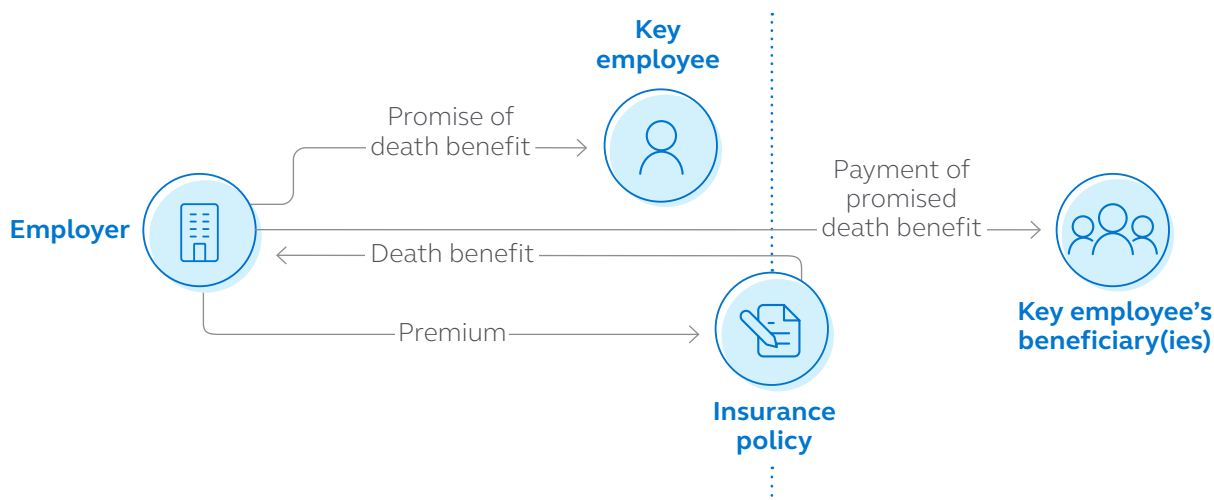
A life insurance benefit for your key employees.

Having the right benefits in place to recruit, reward, retain, and retire key employees can have a significant impact on the success of your organization. In fact, your organization depends on it. What can you do today to give your employees another reason to stay with you?

A Principal® Death Benefit Only (DBO) Plan can be valuable to your key employees, helping to provide them peace of mind that their designated beneficiary has some financial protection in the event of their death. And, if informally financed with life insurance,* you'll benefit because it offers an economical and flexible solution that can be combined with other strategies you might need, such as key person life insurance protection.

Here's how it works

A DBO plan is a lower cost and low-maintenance plan that can be a valued key employee benefit. You promise a key employee that in the event of their death while covered by the plan, their named beneficiary will receive the death benefit specified under the plan. You purchase life insurance on that employee to informally finance your liability. If the life insurance death benefit exceeds your organizations' obligation, any excess coverage could be used as key person protection or to recover the cost of premiums paid for the policy. Alternatively, you could cancel the plan and transfer the policy ownership to the key employee in the future as part of an executive bonus plan.



What you need to know

There are advantages to this plan, just as there are some things to consider.

For you

Lower cost, convertible option.

Term life insurance may be used to informally finance the plan. In future years, this term policy can be converted to a permanent life policy as your goals change.

Be selective. Plan can be offered on a selective basis; no need to provide the same benefit to all participants.

Communicate easily. The simple and flexible plan design is easy to communicate and maintain.

Recover premium cost. If the death benefit purchased is higher than the amount you promise to your key employee(s), you can retain the difference to provide key person protection or cost recovery for the premiums you paid.

For your key employees

Peace of mind. Knowing their named beneficiary(ies) will receive a death benefit can help provide comfort to your key employees that their loved ones have some financial protection in the event of their death.

No current tax impact. Your employees don't report any benefit amount as income during their lifetime.

Must qualify. The key employee must be healthy enough to qualify for the life insurance policy. To simplify the application process, a Guaranteed Issue option may be available if you have 10 or more plan participants.

Tax impact to beneficiaries. The payment of the death benefit will be treated as taxable income to the beneficiary(ies). Part of the death benefit they receive could be used to pay the tax.

 [Learn more](#)

Contact your financial professional today.

* Most employers implementing a DBO plan will purchase life insurance on the insured to provide the cash flow necessary to pay the death benefit. In such cases, the life insurance should be placed in force prior to the implementation of the plan.

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Before investing, carefully consider the investment option objectives, risks, charges and expenses. Contact a financial professional for a prospectus or, if available, a summary prospectus containing this and other information. Please read it carefully before investing.

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