PROTECT IT

Life Insurance

The Types, What They Do & Who They're Actually For

You are building something. The people in your life are depending on what you're building. Life insurance is how you make sure that if you are no longer here, what you built — and who you protected — doesn't collapse with you.

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SECTION 1 — WHAT IT IS

Life insurance is a contract between you and an insurance company. You pay a premium — monthly or annually — and in exchange, when you die, the insurance company pays a designated amount of money to whoever you named as your beneficiary. That payout is called the death benefit, and in most cases it is received tax-free.

For a business owner, life insurance does two things simultaneously: it protects your family from the financial impact of losing your income, and it can protect the business from the financial impact of losing you. Those are two separate conversations — and they often require two separate policies.

The Main Policy Types

There are four primary types of life insurance. They are not interchangeable. Each one serves a different purpose at a different financial stage.

POLICY TYPE	HOW LONG	CASH VALUE	COST	BEST FOR
Term Life	Set period (10–30 yrs)	No	Lowest	Most people — especially early stage
Whole Life	Permanent (lifetime)	Yes — guaranteed	Highest	Long-term estate planning, legacy transfers
Universal Life	Permanent (flexible)	Yes — variable	Moderate	Flexible premium needs, some cash growth
IUL (Indexed Universal Life)	Permanent (flexible)	Yes — market-linked	Moderate–High	Specific wealth-building strategy; not a starting point

Term Life — The Foundation

Term life is exactly what it sounds like: coverage for a defined period of time. You choose a term — 10, 20, or 30 years — and a death benefit amount. If you die during that term, your beneficiary receives the payout. If the term ends and you're still alive, the coverage expires.

Term is the most affordable type of life insurance because it has no cash value component — it is pure protection. For most business owners who are in the building phase, this is where you start. A 20-year term policy purchased in your 30s covers the window when your income is most critical to your household and your business is most dependent on you.

Whole Life — Permanent Coverage with Cash Value

Whole life covers you for your entire life — not a set term. It also builds cash value over time at a guaranteed rate, which you can borrow against or use in certain financial strategies. Because of the permanent coverage and guaranteed growth component, premiums are significantly higher than term.

Whole life is most relevant in estate planning and legacy transfer — situations where the goal is to pass wealth to the next generation in a tax-efficient way, or to fund a buy-sell agreement between business partners. It is not the right starting point for someone who is still building.

IUL (Indexed Universal Life) — What It Actually Is

An IUL is a permanent life insurance policy that builds cash value tied to the performance of a market index — typically the S&P 500. When the index goes up, your cash value grows up to a cap. When the index goes down, a floor (usually 0%) protects you from losing value. You also have flexibility to adjust your premium payments within limits.

On paper, that sounds ideal — market upside, downside protection, flexible premiums, and a death benefit. Which is exactly why it is one of the most aggressively marketed financial products in entrepreneurial communities right now.

The Honest IUL Conversation

An IUL is not a bad product. But it is a product that is frequently sold to people who are not in the right financial position for it to work as advertised. Here is what the sales pitch often leaves out: IULs are expensive to fund properly. The cash value growth that makes them attractive requires consistent, substantial premium payments over many years. If you underfund the policy — which is easy to do when your business income fluctuates — the policy can lapse, and you lose everything you put in. The caps limit your upside. When the market has a strong year, your growth is limited to whatever cap the carrier has set — often 9 to 12 percent. The floor protects you, but the cap means you never fully participate in market gains. The fees are real. IULs carry mortality charges, administrative fees, and surrender charges — especially in the early years. These reduce the net return on your cash value. Who it actually works for: someone with stable, substantial income who has already maximized their tax-advantaged retirement accounts (401k, IRA), has adequate emergency reserves, has their basic term coverage in place, and is working with a financial professional — not an insurance agent on commission — to evaluate whether the strategy fits their full picture. If that is not where you are right now, a term policy protects your family. Build the foundation first.

SECTION 2 — WHY IT MATTERS FOR YOU

As a business owner, your financial exposure is different from a salaried employee. There is no HR department, no automatic benefits package, no employer-paid life insurance. Whatever protection exists for your household and your business — you have to build it deliberately.

You Are the Asset

In most early-stage businesses, the owner is the primary revenue driver. The relationships, the reputation, the expertise, the daily decisions — it all runs through one person. That concentration of value in a single person creates a specific kind of risk that most business owners never fully account for.

If you have a spouse, children, aging parents, or anyone else whose financial stability depends on your income — and that income disappears because you're gone — life insurance is the mechanism that keeps their stability intact. It replaces the income. It pays off the mortgage. It funds the education. It buys time for the people you leave behind to figure out what comes next without being in a financial emergency at the same time they're grieving.

What Happens Without It

Your household loses your income immediately. Business debts may become personal obligations depending on your structure. Your family may have to sell assets under pressure. If you have business partners, ownership becomes a legal dispute. Everything you spent years building becomes a crisis to manage instead of a legacy to receive.

What Happens With It

Your beneficiary receives a tax-free lump sum. The mortgage gets paid. The business has a financial bridge through a key person policy. A buy-sell agreement funded by life insurance means your partner can buy out your share cleanly. Your family receives an asset — not an emergency.

The Business Owner-Specific Considerations

Beyond personal coverage, there are situations specific to business ownership where life insurance plays a structural role:

Buy-Sell Agreements

If you have a business partner, a buy-sell agreement funded by life insurance is how ownership transfers cleanly when one partner dies. Without it, your partner's family may inherit your partner's share of the business — which means you now have co-owners you didn't choose.

Key Person Coverage

The business itself can own a life insurance policy on a key person — usually the founder or a critical employee. If that person dies, the payout goes to the business to cover the financial impact: lost revenue, cost of replacement, debt obligations that relied on that person's continued involvement.

SBA Loan Requirements

If you have an SBA loan or are applying for one, life insurance on the business owner is often required as a condition of the loan. The lender wants assurance that if you die, there is a mechanism to repay the debt.

Estate Liquidity

When you die, your estate may owe taxes before assets can be distributed. Life insurance provides liquid cash to cover those obligations without forcing your heirs to sell the business, real estate, or other assets under a deadline.

When to Get It

The right time to get life insurance is before you need it — which means before a health event makes you uninsurable or significantly more expensive to cover. Premiums are based on age and health at the time of application. The longer you wait, the more it costs. A 32-year-old in good health pays significantly less for the same coverage than a 45-year-old with a health history. This is not a decision to defer until the business is more stable. This is a decision to make now.

SECTION 3 — HOW IT FITS YOUR WEALTH PICTURE

Life insurance is not a standalone purchase. Inside a full wealth protection system, it is the piece that holds everything else together if the person who built it is no longer there.

Life Insurance + Wills & Trusts

Your will directs where your assets go. Your trust controls how and when. But life insurance bypasses both — it pays directly to whoever is named as your beneficiary, regardless of what your will says. This is why beneficiary designations must be reviewed and updated regularly. A policy from 2015 with an ex-spouse named as beneficiary pays that ex-spouse — even if you remarried and have two kids. The document controls. Make sure it reflects your actual life.

Life Insurance + Business Succession

A succession plan tells the business what to do when the owner is gone. Life insurance funds that transition. Whether the plan is a buy-sell with a partner, a transfer to a family member, or a managed wind-down — all of it requires capital. Life insurance is often that capital.

Life Insurance + Real Estate Holdings

If you hold real estate in your estate, your heirs may face estate taxes or capital gains that require liquidity to manage. Life insurance provides that liquidity without forcing a fire sale of assets your family was meant to inherit and hold.

Life Insurance + Family Legacy

Generational wealth does not transfer automatically. It transfers through intentional structure — the right entities, the right documents, the right beneficiary designations, and enough liquidity to make the transfer clean. Life insurance is one of the most direct mechanisms for passing a defined, tax-efficient amount of wealth to the next generation. Wealthy families have used it this way for generations. It is not a secret strategy. It is just information that was not widely distributed.

Questions to Answer Before You Meet with a Professional

How much income does my household need to maintain its current standard of living for 5 to 10 years if I'm gone? What debts — personal and business — would need to be covered? Do I have a business partner who would need to buy out my share? Who are my dependents and what does their financial future require? Have I named the right beneficiaries on every policy, retirement account, and financial account I own? Arriving at this conversation with answers means you leave with a policy that actually serves your situation — not just the one that was easy to sell.

A Note on How PEG Handles This Topic

This guide is educational. It is designed to give you enough context to understand what life insurance is, what the differences between policy types actually mean, and how it connects to the wealth you are building. It is not a recommendation to purchase any specific policy, product, or coverage amount. Those decisions are made with a licensed life insurance professional and, ideally, a financial planner who looks at your full picture — not just one product in isolation. PEG does not sell insurance and does not receive compensation for any insurance decisions you make. Our only interest is that you make an informed one.

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