



# The Key Employee Risk

The success of a small business often depends on the services provided by you, the key owner, and key non-owner employees. The loss of a key employee's services can result in a loss of income to the business.

## Increased expenses can include:

- Search firm costs relating to hiring a new employee
- Training costs
- Possible signing bonus
- Costs associated with paying an income to the disabled employee or their family

These types of risks cannot be avoided. They must either be retained by the business or transferred to an insurer.

## Who are the key employees?

### They are people who:

- Possess specialized skills critical to the success of the business
- Have a significant customer or client base
- Are responsible for bringing large amounts of business to the business
- Are a source of capital
- Loss could impair the credit rating of the business
- Loss could result in loss of customer, employee and bank confidence

Identifying these key employees may be more difficult than it first appears. While you may be considered a key employee, there are often others integral to the success of the business. You must be willing to consider the damage that could result if any individual were absent for longer than the normal vacation period.

Ask your advisor about the Key Employee Questionnaire and calculator. These will help you understand the value of your key employees.



## Business

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