

# Disability - The Forgotten Business Risk

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**Second Quarter 2015**

**Volume 17 Issue 2**

Business owners are usually very familiar with the concept of risk management in order to grow and maintain a profitable business. Very often they have taken significant risk to start, nurture and build their business into a success – working long hours, reinvesting back into the business and caring for every detail. However, they frequently do not consider what would happen if they were disabled and unable to work. What would happen to their business and their family?

According to a 2009 MetLife study, 75% of people surveyed who have been disabled said their illness or injury had a significant impact on their lifestyles, as well as their confidence and well-being. Depending on the age, health and physical activity level of the business owner the chances of becoming disabled are significant. For example, a business owner in good health in his/her mid 50's has between a 10% and 27% chance of becoming disabled for more than three months, with the average long-term disability lasting 86 months (over seven years). If business owners aren't addressing the risk of disability, they are possibly putting their business and their own financial future at risk.

*Questions to ask business owners about their disability risk could include:*

- *What would be the financial impact on the business if you were out for a year due to an injury or illness?*
- *How would you handle ongoing expenses such as rent, utilities, employee wages and maintenance services?*
- *If you have partners or co-owners, do you have a buy-sell agreement and funds to help with a buy-out in the event of your long term disability?*

Fortunately, long-term disability is a risk that can be insured against. Personal, business overhead, loan protection, key-person and buy-sell disability insurance are all forms of coverage that can provide income to the business owner, fund a buy-out of the business owner or keep the doors open by providing an infusing of cash during a period of disability. Planning ahead can help ensure businesses will stay intact while a disabled business owner recovers, and with disability insurance as part of that plan, we can give our clients' businesses a chance to succeed even if they can't be there to run it. Evaluating a business owner's disability risk management program should be a key part of every annual business review financial advisors conduct with their business owner clients.

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*If there are specific topics you'd like to see covered in future newsletters, please contact:*

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# Planning Tips for Second Quarter

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**Second quarter is a great time to evaluate your approach to your clients and introduce new ideas or products to them. Here are some tips to help you bring additional value and expertise to your clients.**

## **1. Separate yourself from other advisors with an exclusive 10% discount that can be extended to your clients.**

Standard's PPMD (Preferred Producer Multi-Life Discount) provides you with the exclusive right to offer your clients a 10% discount on their Individual DI and BOE policies. To qualify as a Standard Preferred Producer, authorized to offer this discount to your clients, place 5 different lives with Standard within a calendar year. Once the 5th policy is placed, you are able to provide those initial 5 clients and all future Standard clientele a 10% discount on Platinum or BOE contracts.

## **2. Complementary Buy-Sell review and Business Valuations**

Take advantage of a complementary service provided by Principal Life that provides your clients with a professionally prepared buy-sell review and business valuation. This is a great way to start the buy-sell conversation and open the door to new prospects. Give us a call to receive a sample of the reports.

## **3. Do you have any clients borrowing money to buy or grow a business? Does the bank want them to be covered in case of a disability?**

Business Loan Redemption policies are specifically designed to make loan payments if the business owner is too sick or injured to work. Loans covered include facility renovations or improvements, the purchase of a building or land for business, mortgage loans, the purchase of a practice or exiting business, expansion of a business, the purchase of a large piece of equipment, and lease financing. Additionally these policies do not impact individual disability benefits or limits.

## **4. High Deductible Medical Insurance**

With medical insurance deductibles growing where will clients get the funds for the 'deductible' in the event of a significant illness? Critical Illness plans can help cover the risk by providing your client with a lump sum benefit (\$10k up to \$500k) at the time a qualifying condition is diagnosis. Call us for details.

## **5. Increased I&P Limits are creating opportunities**

Now is a great time to revisit with clients that have existing individual DI and/or BOE coverage. I&P limits have increased over the last 12 months and domestic carriers are now able to offer more coverage. Up to \$35,000 of individual coverage and \$50,000 of BOE.

# Transamerica LTC - The Value of Step-Rated CBIO

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A cornerstone of LTCi is protection. But it's not just the basic protection of assets that helps provide added peace of mind for the future, it's also protection from the rising costs of care.

Traditionally, a 3% or 5% Compound Benefit Increase Option (CBIO) could help policyholders keep up with inflation. Though premiums stay consistent, the high cost can make this choice prohibitive for many middle-class budgets. That's why Transamerica created the Step-Rated CBIO.

With SRCBIO, the initial premiums are significantly lower than the traditional options. The benefit amounts (daily benefit and total Pool of Money) then "steps up" by 3% or 5% per year on each anniversary of the effective date of the policy. This way, policyholders pay for benefit increases as they go, making premium payments more manageable upfront and growing gradually while the value of the policy expands.

## Economical

As you can see in the example below, for a five-year total increase of \$96.75 - that's less than \$10 a month - the value of the policy rises by over \$17,000. That's a value proposition that's easy to explain to clients, and demonstrates why SRCBIO is a sensible choice.

<b>AGE</b>	<b>Pool of Money</b>	<b>Annual Premium (@3% increase)</b>	<b>Increase in Premium</b>	<b>Increase in Value</b>
55	\$109,500.00	\$607.46		
56	\$112,785.00	\$625.69	\$18.23	\$3,285.00
57	\$116,168.55	\$644.45	\$18.76	\$3,383.55
58	\$119,653.61	\$663.79	\$19.34	\$3,485.06
59	\$123,243.21	\$683.71	\$19.92	\$3,589.60
60	\$126,940.51	\$704.21	\$20.50	\$3,697.30
<b>Total 5-Year Increase</b>			<b>\$96.75</b>	<b>\$17,440.51</b>

\*Premium shown is Transcare III for Alabama. Rates are for a Male, age 55, includes spouse/partner applying discount of 30%, and a \$100 daily benefit for 3 years.

## News You Can Use

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- MetLife announces exciting new changes for business owners. Self-employed applicants can now receive DI coverage based on 120% of their reported net income, increasing the available monthly benefit amount. Also, business owners who have owned and operated their businesses for at least two years and meet income requirements can qualify for a one- or two-class occupation class upgrade - potentially resulting in lower premiums and/or more coverage.
- Ameritas now offers higher maximum issue and participation limits for BOE. Effective immediately, Ameritas is offering coverage up to age 64 and has increased their issue and participation limits for their new Business Overhead Expense (BOE) product up to \$50,000.
- Transamerica LTC now has a Mobile Hybrid App available for smart phones and tablets. Access your saved quotes no matter what device you're on; configure multiple plans and view them on a single premium summary screen; application updates are automatically delivered to your device, plus other features.
- John Hancock has announced a new product, Performance LTC. It offers the most competitively-priced premiums on the market today, along with flexible features and options that will give clients greater control over their premiums and benefits. Available in most states beginning March 23, 2015.