# What if... I become disabled

***People insure their assets against loss. Yet, a lot of business owners fail to buy insurance for their most important asset - their ability to earn an income.***

A sudden illness or injury without disability income insurance could be devastating for your life and your business, especially if there are no employees who can do what you do. What would happen to your business if you suffered a stroke or an accident and were paralyzed for six months or a year?

When you become sick or disabled, your personal and business obligations don't stop. You are still liable for all of the debts of your business. You could lose everything you own, everything you have worked so hard to create. Before you say that it could never happen to you, consider the hard facts. Your chances of being disabled are much greater than your chances of dying. According to the Disability Management Sourcebook, severe disabilities have increased 400% over the past 25 years between the ages of 17 and 44. Before age 65, one in seven people will become disabled for five years or more.

Disability insurance will replace your income in the event of an accident or illness. As a small business owner, you need to take the subject of disability insurance very seriously. The right disability policy can provide you with enough cash to prevent disaster for you and your business. But not all disability insurance is created equal, so how can you discover what features you need when purchasing disability insurance?

There are several types of disability insurance that you can purchase:

- Individual disability income insurance will pay you if you are unable to work or run your business, usually at a rate no more than 70% of your current income.
- A key person insurance policy protects your business from the impact of losing a key – namely, you.
- Business overhead expense pays for ongoing business expenses, including employee salaries, insurance, leases, professional dues, taxes, rent and other costs involved with keeping your office open for business.
- A disability buy-out insurance policy enables you to purchase a co-owner's interest if he or she becomes disabled.

**Continued on next page**

You can purchase disability income insurance policies that guarantee benefits for a certain period of time. This is called the benefit period and can be anywhere from two years up to lifetime coverage. The most common benefit period pays benefits up until age 65; however, there are policies with two- and five-year benefit periods if cost is a concern.

Because many injuries or illnesses do not totally disable you, many policies will offer a rider that will pay you a partial benefit if you can work part time and earn some income. In the case of being totally disabled, this rider will encourage you to go back to work by paying you either partial or full benefits if you try to work. In addition, they usually pay for any training or rehabilitation that you might need to help you get back to work.

All disability policies have a waiting period, which is a specified period of time after the onset of your disability until you start receiving benefits. This amount of time, known as the elimination period, ranges from 30 to 365 days with individual policies.

Many owners are concerned with the tax implications of receiving disability benefits. Since you pay the premiums with after-tax dollars, the benefits you receive are tax free. If your business deducts the premiums, then you should pick the amount paid up as income to assure that there will not be tax charged on the benefit paid to you in the case of a disability.

Finding the right policy starts with the policy's definition of "disabled." The best, but most expensive, policy is one that pays you if you can't continue doing what you currently do. Like anything else, it pays to compare insurance policies. You can save a substantial amount of money by shopping around for the right disability insurance policies to suit your own unique situation.

***Helping business owners protect, preserve and pursue more value from their business, more tax efficiently! ®***

**The Business Strategies Group**
**a division of AXA Advisors, LLC**
**www.bsg-advisors.com**



GE-117038 (1/17) (Exp. 1/20)