DISABLING ILLNESS OR INJURY: THE IMPACT ON BUSINESS

WHAT DOES IT TAKE TO KEEP YOUR DOORS OPEN EACH MONTH?

A Business Overhead Expense (BOE) disability insurance policy will reimburse a business owner for overhead expenses incurred while they are disabled. And BOE premiums are generally tax deductible as a business expense. Our helpful “Disability Business Overhead Expense (BOE) Insurance Worksheet” is available in the Tools section of LLIS.com.

KEY PERSON INSURANCE

Provides a benefit to help offset the loss of a key employee, to help with the costs of recruiting a new employee, dealing with temporary staffing, or filling a revenue gap.

How it works

<table>
<thead>
<tr>
<th>Employer</th>
<th>Premium Payments</th>
<th>Insurance Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taxable bonus</td>
<td></td>
</tr>
<tr>
<td>Employee (Policy owner)</td>
<td></td>
<td>Income tax-free disability benefits</td>
</tr>
</tbody>
</table>

Chances of One Partner Becoming Disabled

<table>
<thead>
<tr>
<th></th>
<th>2 owners</th>
<th>3 owners</th>
<th>4 owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Age 32</td>
<td>20%</td>
<td>36%</td>
<td>45%</td>
</tr>
<tr>
<td>Average Age 42</td>
<td>23%</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>Average Age 52</td>
<td>17%</td>
<td>25%</td>
<td>32%</td>
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DBO + DBO + DI = 20% DISCOUNT

(Two owners of a business purchase Disability Buy-Out policies and pay premium on a DI policy for a non-owner employee)

How it works

Disability Buy-Out (DBO) insurance reimburses the owner(s) of the policy for the purchase of the disabled insured's interest in the business under a buy/sell agreement. Allows you and your partners to:

- Maximize the financial return when the business is transferred
- Minimize the tax liability
- Enable the business to survive a partner's departure, with remaining owners and their families receiving the full value

EXIT PLANNING

From 1993 through 2009, small business owners provided 65% of all net new jobs and employed about half of U.S. workers

SOURCES:

1 Harris Interactive/The Principal Group Business Owner Market Study: How Priorities Align with Practices
2 NAIC Commissioners Disability Table
3 US Small Business Administration, Office of Advocacy
4 FHA, Disability Income Concepts
5 JHA Disability Fact Book
6 Disability Management Sourcebook

17% Only 17% of small businesses offer disability insurance coverage

Your company can purchase group or multi-life disability coverage with as few as 3 employees, and may qualify for a 20% discount

17% of all people age 40 will have a long-term disability event prior to age 65

43% Severe disabilities have increased 400% over the past 25 years from the age of 17 to 44

65% 62%

Only 21% of business owners have a buy/sell plan for a death, and only 13% have a buy/sell plan for a disability

YOUR ONE-STOP INSURANCE RESOURCE FOR

Term Life | Permanent Individual & Survivorship Life | Annuities | Disability | Critical Care
LTCI | Hybrid Life/LTCI | Hybrid Annuity/LTCI | Policy Reviews | Life Settlements

(we recommend low-load permanent life insurance and annuities when possible)

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