

Could Your BUSINESS SURVIVE Without You?

BY JOHN HIGGINS

Owning a small business is a big responsibility. A construction company's ability to deliver on its responsibilities is integral to the business' success. But what if the owner becomes disabled for three months, six months or forever?

Even small businesses that plan well frequently overlook or underestimate the impact that a disability to a partner, owner or a key employee can have. For example, does the company have disability income insurance coverage for operating costs to help pay day-to-day business overhead expenses if the owner becomes sick or hurt and unable to work? Are partners set for funding partnership buy-outs (via a formal buy-sell agreement) to help purchase a partner's share of the business if he becomes totally disabled? Are employees adequately protected in the event of a disability?

Disability is the cause of nearly half of all home foreclosures, according to a study by Compton Insurance Marketing in 2002. With much at stake, a business owner has a responsibility to himself, the business and its employees to prepare for the unexpected.

- **Maximizing your income protection—and theirs.** For most people, financial wellbeing depends on income. Without income, most people would not be able to save for retirement or pay the mortgage, car loan, children's education bills

and more. If too sick or injured to work, a person's income may drop significantly or disappear altogether. Yet too few people realize that protecting against the financial consequences of a disability must be done before disability strikes. Be sure to give all employees access to adequate disability income insurance protection options.

- **Safeguarding the daily accounts payable track record.** Even with personally owned individual disability income insurance, a business owner needs to think beyond income to the business' daily expenses. Think about protecting the maximum value of the business to maintain revenues, pay bills and attract a buyer. Business overhead expense coverage is tax-deductible and can help safeguard the company by covering fixed business operating costs, whether salaries, rent, leases, insurance premiums, utilities or other expenses. Coverage can help pay the salary of a temporary replacement.
- **Keeping the business running in tough times.** If one key individual in a small closely held business goes out on disability, revenues may be hit hard. Many businesses have a buy-sell agreement in place to protect the business in the event of a death, but what about the event of a

disability? All buy-sell agreements have a provision for death and disability, but oftentimes, only the death provision has been set up or funded, leaving the company exposed. Business partners always should consider funding buy-sell agreements with disability income insurance to keep the business running smoothly in the event one partner becomes too injured or sick to work.

- **Comparing options.** Consider all the options. Is personal financial protection what the company requires most? Is the owner more concerned about protecting his interests? Or does the business need additional disability income insurance coverage for income protection for the owner, the business partner(s) or the employees? After making a choice, look for an insurance provider with strong financial ratings and flexible products and services.

While many people think about owning their own business, a lucky few make that dream a reality. Don't leave the dream at risk. Insure the ability to earn an income and the business' ability to succeed.

Higgins is president of Patterson Smith & Associate, LLC, New York. For more information, call (800) 572-8859 or visit www.psabenefits.com.