



## Business Overhead Insurance

If you own a business and become disabled, a *Disability Income* insurance policy can pay you, individually, a monthly benefit, but what about:

1. Your continuing overhead expenses?
2. Your continuing loan payments, including Student Loans?
3. Your continuing retirement savings?
4. Your partners?

Your personal or group *Disability Income* policy is certainly the first step toward full-spectrum protection, but relying on it alone can leave you with substantial financial risks if you become sick or injured and no longer able to work.

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#### CONTINUING OVERHEAD EXPENSES

Unless you close your business at the onset of a disability, you must continue paying your staff, paying your insurance premiums, rent, utilities, etc. In any business, these expenses typically take more than half your revenue.

If your Revenue is \$500,000 and you aim for a 37% ROR, your annual net income is about \$185,000. At that income level, you would qualify for about \$8,500/mo. of *Disability Income* insurance. However, your Total Monthly Expenses are also about \$26,000. The result is that there is not enough money for you and your business.

The solution is *Disability Overhead Expense Insurance* that reimburses you for covered, business overhead expenses while you are disabled. Premiums are deductible and coverage for a "professional substitute" can be included.

#### CONTINUING LOAN PAYMENTS

If your overhead expenses include a practice loan, mortgage, or Student Loans, being disabled does not absolve you of your obligation. A *Disability Business Reducing Term* policy will make payments directly to your lender.

Note: loan payments typically must be made for a longer term than the Benefit Period of a *Disability Overhead Expense* policy that is often, mistakenly, purchased for this purpose.

#### CONTINUING RETIREMENT SAVINGS

If you are contributing to a qualified retirement plan, your total disability will have the additional result of disqualifying you for continued contributions (including any employer-match). With **coverage for retirement savings**, a monthly benefit - for 100% of the contribution(s) - will be paid into a trust account, in lieu of your ability to continue to make qualified contributions. The coverage applies to all types of Defined Contribution Plans (i.e. 401-k, profit sharing, etc.) and can be added on top of existing, "maxed out" disability coverage.

#### YOUR PARTNERS

The disability of a partner, who will be unable to continue in the business, can create an immediate conflict of interest. In the best cases, a *Buy/Out Agreement* is in place that establishes how this will be handled and *Disability Buy/Out Insurance* is purchased to provide funding to acquire the disabled partner's ownership. In the absence of both, the conflict of interest most often leads to litigation; with both, friendships and finances need not be imperiled.

#### THE REST OF THE STORY

Full-spectrum disability coverage provides protection far beyond your *Disability Income* policy alone. It enables you to properly fund your business and yourself, keep your lender off your back, continue retirement savings, and stay out of court with your partner(s).

Many more details to the strategies and insurance products make up full-spectrum disability coverage. For assistance with all of this, seek the help of an insurance professional who specializes in disability insurance.

## About Us

Please contact your Hibbs-Hallmark Representative to learn more about Business Continuation insurance.

**Sincerely,**

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