



# Disability insurance for businesses is important, but often overlooked

by Todd Radwick | DIA, President of Radwick Financial Group LLC | June 6, 2016, 7:56 a.m.  
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It is common to use life insurance in the business setting, but have you ever considered that disability insurance may be way more important than life insurance? Why? Because medical technology is really good these days. Hospitals and doctors are very good at keeping people alive. People are surviving things like heart attacks, cancer, strokes, and diabetes, hypertension, things that used to kill us.

But that doesn't mean a person can still work, perform, or make a living. For instance:

- You are 240 times more likely to incur a disabling injury than suffer a fatal one.
- About 25 percent, one in four in their 20s, 30s, and 40s will become disabled for 90 days or longer, with an average disability lasting 3-5 years.
- About 48 percent of all home foreclosures are due to a disability, whereas about 2 percent are attributed to death.
- An accident occurs every second that causes a disability. In stark comparison, an accident that is fatal occurs about every 4 minutes.

I encourage you to check out the Council for Disability Awareness (CDA), a nonprofit organization devoted solely to educating the public and raising their awareness about the odds, risks, and likelihood of actually getting disabled. There are many facts and figures as well as a calculator called the "Personal Disability Quotient" (PDQ) to get an estimate of your chances of becoming disabled sometime in your working years. [www.disabilitycanhappen.org](http://www.disabilitycanhappen.org).

So what is the take away here? The bottom line is that your chances of becoming totally disabled are astronomically, way higher than that of dying.

After all, do you find it ironic that there are over 1,000 life insurance companies, but only about 12 that are major players in the disability insurance market place? Do you find it interesting ads for cheap life insurance on the radio and the internet are rampant, yet you never hear about disability insurance? This is because life insurance is much more profitable and your odds of dying are not even remotely close to that of becoming disabled.

Why do so many insurance agents, financial planners and advisers miss this very important part of the equation? It's due to a lack of knowledge, experience and training and exposure to the facts. I, for example, spent the first 12 years of my career with a very major, name-brand life insurance company and was never once educated or encouraged to even bring up disability insurance. Considering the facts, I think this is a travesty, and inexcusable. Knowing what I know now, I feel morally compelled and obligated to educate business owners on the truth and I am doing just that.

Here are some examples of how life and disability insurance is used in the business setting.

Policies can be taken out on key employees to protect and indemnify businesses should a top employee, key to the business' success suddenly die or become totally disabled. Tax free cash can provide time to weather the storm, pay bills, and attract and hire a replacement. Policies insuring the key employee are usually owned by the business with the business being the beneficiary.

Likewise, life and disability insurance can be used to fund buy/sell agreements between business owners when a business owner dies, so the surviving business owner(s) are provided the large amount of liquidity often needed, but which is almost

always never available, to make the buyout happen. In the case of only a couple partners, usually only two policies are necessary, each partner taking out a policy on the other. In the case of multiple partners, sometimes the business itself will take out policies on all of the business partners, with the business being the beneficiary.

In addition, when business owners need to take out bank loans to grow or expand their business, or say, purchase another practice in the case of a physician or a dentist, life and disability insurance is often used, even required by a lender to insure that the lender will ultimately get their money back, should something happen to the business owner. In the event of a total disability, this is typically done with what is called a "Disability Business Overhead Expense" policy, or "BOE" for short. Normally these policies are used to help a business owner get reimbursed for things like payroll, office lease, utilities etc., but a special rider is added that covers a bank loan, and a collateral assignment sends the monthly bank payments directly from the insurance company to the lender.

If you are a business owner and are considering using life insurance to protect a key person, or your business loan, or to fund your buy/sell agreement, seriously consider instead, making disability insurance your first priority. It's even more important than life insurance.

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