

DI Solutions
for Business Owners



Business succession planning

Using disability income
insurance

Insurance Strategies



We'll help you get there.™

Protect your business interests

Probability of disability in relation to probability of death during your working years

Surprisingly, many business owners overlook Disability Income Insurance as a key tool for business succession planning. Yet, the risk of becoming too sick or injured to work, before retirement age, is much more prevalent than death (see chart).

How would you handle maintaining your business interests if you became physically or mentally handicapped? As a business owner, you have even more at stake.

Probability of Disability vs. Death

Age	Ratio
30	2.31 to 1
35	2.21 to 1
40	1.95 to 1
45	1.69 to 1
50	1.53 to 1
55	1.33 to 1

Source: 1985 Commissioner's Individual Disability Table A and 1980 CSO Mortality Table

Help protect your business with a DI buy-sell policy

The same rationale for using a life insurance policy to fund a buy-sell agreement upon death applies to using a disability policy to fund a buy-sell agreement upon total disability (whether permanent or temporary). Even when the business has sufficient capital, insurance may still be the best way to fund the DI buy-sell agreement.

*In a partnership of
two 35-year-olds, the odds
of a long (three months or
more) disability striking
one of them before they
turn 65 is 75%.*

(NAIC 1985 Commissioner's
Disability Income Table A)

Benefits of a disability buy-sell agreement

The benefits of a well-crafted and properly funded disability buy-sell agreement include:

Benefits for the active business owners

- Acquire the business interest of the disabled owner at a fair price.
- Maintain ownership and control.
- Receive tax-free benefits.¹
- Smooth transition of ownership.
- Relinquish the decision of when the definition of total disability is met to a third party.

Benefits for the disabled business owner

- Receives the proceeds for the sale of his/her ownership in the business.
- Needs to worry less about future business value fluctuations.²
- Taxed only on the gain from the sale of the business and generally at more attractive gains rates.

Benefits for the business

- Full funding may be available when needed.
- Interest charges on installment of the buy-out may be avoided.
- No lien, credit restriction, or drain on profits from loans to fund the buy-sell.

Definition of disability

The concept of “disability” as it relates to your active participation in a business is often far more difficult to define and describe than most other buy-sell triggering events. Setting forth the conditions under which an individual is deemed to be disabled is essential to a successful arrangement.

The most logical definition of disability to use in the disability buy-sell agreement is likely to be the definition contained in the insurance policy that will fund the buy-sell. This places upon the insurance company the burden of determining whether the disability meets the policy’s definition and avoids potential disagreements among all business owners.

Advantages of DI buy-sell coverage with MassMutual

MassMutual has disability buy-sell policies with limits of up to \$2.5 million, so you can protect a large percentage of your business' value. The coverage participates with other inforce disability income buy-sell coverage so you can supplement any existing buy-sell coverage with a MassMutual contract.

You also have the choice of three benefit payment methods – lump sum (one payment), monthly pay (for a period of years), or down payment (a combination of lump sum and monthly pay).

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¹ Premiums for disability buy-sell insurance are not a deductible business expense. The benefits paid, however, are generally received income-tax-free and can be used for the business purchase.

² This assumes that the value of the business was established on the date the owner first becomes disabled.

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