



Winning Family Strategies™

P A R K Y N W E R M E N L I N G E R L A Y T O N C A P I T A L I N C .

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Message to Business Owners: Don't Be Disabled by Your Insurance

Are You Insurance Savvy?

Business owners are accustomed to taking risks – every decision they make has an impact on the bottom line. They are also responsible for managing security risks – the threat of significant economic loss from disability, serious illness or death of key employees, including themselves. Securing a business from these risks is crucial to any sound business plan.

A 2001 survey revealed that 14% of business owners could not survive even a short period of incapacity. Over half of Ontario businesses had no succession plan to handle death, disability or illness. To ensure that you do not become one of these statistics, make certain that you have the appropriate insurance for your business' needs.

Disability, Illness and Your Business

If you are the engine of your business, your continuing performance is crucial to your company's health. If you were unable to perform, what might the economic results be? Absent leadership can spell disaster. In one company, word of the founder's illness meant customers were slow to order and slower to pay. Suppliers refused to ship without full payment of existing accounts and advance payment of new orders. The result was crisis in the company.

Business owners often play down the impact of their absence on a business. Meanwhile, it is a given that buildings, cars and equipment are insured for loss. This is simply illogical. You are

your greatest asset. A forty-year old generating \$60,000 a year will generate well over \$1.5 million by age sixty-five. What would your losses amount to?

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your greatest
business asset.

Prepare for Speed Bumps Before They Happen

At a certain stage in business growth, many owners commit to a group insurance plan that includes disability insurance. Owner and employee needs typically extend well beyond what these contracts allow. A high quality private disability insurance plan can be an invaluable asset to a business owner. For many businesses, overhead costs can be covered for defined periods of time, giving the owner breathing room to plot the next move.

One in three Canadians is expected to develop a serious disease in their lifetime. If a serious illness renders a key employee unable to work, critical illness insurance provides a lump sum payment to the company at a time it is most needed. Should

you yourself become ill, the right amount of coverage can help with extra expenses and protect the savings targeted for your retirement, or provide enough capital to retire early, allowing you to devote your energies to regaining your health.

The company mentioned above survived the crisis. The business was able to retain and re-invest the hard-won profits created by employees while the founder's strong disability plan provided personal cash flow during recovery.

Losing a Founder or Partner

This is a dramatic event in any business. If you have business partners, the issue takes on heightened importance. The loss of a contributor can often make taking on debt to fund a buyout impossible or unwise as the business struggles to adjust.

A well-drafted will for each business owner and a buy/sell agreement funded by life insurance can ensure that the surviving members of the business have both the method and the capital to take over the business. This also allows the deceased's family the capital they need to move on.

Can My Business Pay For This?

The good news is that when the plan is company-owned, the after-tax cost is usually less. This makes these steps more affordable. A recent article in *Canadian Business* says it best, "Self employed people stand to benefit the most from insurance. Without critical illness and disability insurance, a business owner is at risk of losing his or her savings if something unforeseen happens. It could take years to make up the lost ground." As someone who has seen the worst happen, my advice is to start asking questions now. Research the proper coverage before it matters. Once it matters, you may not be able to get the insurance you need.

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