Buy-Sell Disability Insurance

Funding The Buy-Sell Agreement

FOR

- Executives
- Sales People
- Physicians & Surgeons
- Engineers
- Most Business Owners

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Providing Unique Options For The Consequences Of A Disabling Accident or Illness

Buy-Sell Disability Funding

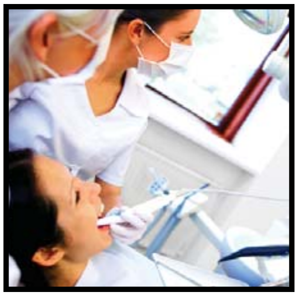
For a company, the sudden disability of a partner can be more detrimental than his or her death. The healthy partner now is burdened by the disabled partner. The disabled partner, not able to productively contribute now sits on the sidelines with lots of time on his or her hands, constantly raising concerns about how the company is being managed. In this case, the disabled partner is still earning a salary but not contributing positively to the company, and it would be in the company's best interest for the healthy partner or partners to buy out their disabled partner.

Prescribing adequate amounts of Disability Buy-Sell Insurance is a perfect solution to this problem, and an effective way to save the company from financial distress.

Providing Answers To Solve Problems In Planning

- Issue Limits from $100,000 to $50 million or more
- Supplemental Coverage to existing disability insurance
- No Reduction in benefits due to older ages
- Issue ages from 20 to 70 and often times older
- Most occupations considered






How are Buy-Sell Disability Benefits Structured?

Lump Sum Benefits

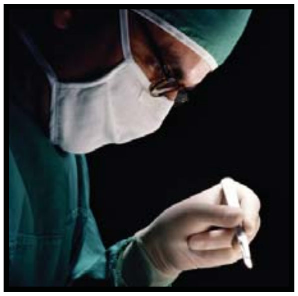
The most efficient method to fund a buy-sell plan is to use a lump sum benefit. The efficiencies become evident in that once the benefit is triggered, the full value of the firm (up to the maximum issue limit) is paid out in exchange for the ownership of the disabled partner. The proverbial "monkey" is then off everyone's back and the buy-sell is completed.

Monthly Benefits

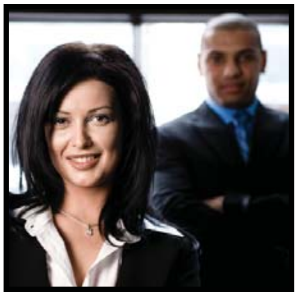
Monthly Benefits often times provide a slightly lower premium since the benefits are stretched out over a period of 1-5 years. The hidden costs to a monthly (installment) purchase are that unless interest is charged to the buyer for the unpaid balance of the purchase amount, the IRS will impute a 10% interest on this amount. Additionally, some policies may have limitations as to whether or not they will complete the buy-sell funding if the insured; a) recovers from their disability during this buy out period or; b) dies during the buy-sell period in which case the life insurance must be kept in place throughout this time frame.

Beware!

Regardless if the benefits are paid on a lump sum or monthly basis, it is very important that the insurance match the terms of the buy-sell agreement as best as possible. This is especially important when choosing an elimination period, since the agreement might call for funding to occur after a 6 or 12 month period, but the insurance was purchased with a 24 month elimination period to save in premium or to obtain a larger benefit from a traditional carrier.








Traditional Carriers Pitfalls

Pitfall #1

Traditional insurance carriers who offer disability buy-sell insurance often limit the amount of benefits available. In addition, they may offer higher limits, but with much longer elimination periods. For example, it is not uncommon to find $1,000,000 in buy-sell benefits available with a 12 month elimination period from the traditional market, however, to get $2,000,000 or perhaps as much as $3,000,000, the elimination period must be stretched to a 24 month period.

Pitfall #2

Most traditional carriers' buy-sell plans automatically reduce the benefit as the insured approaches age 65. A typical step down in benefits is a 20% reduction in benefits for each year from age 60 to 65, until at age 65 the plan provides no benefits.

Pitfall #3

Another issue that often occurs with traditional carriers is that they limit their participation with other plans, causing real issues if the insured firm outgrows the limits from the traditional carrier.