

## Disability - What If You Don't Die

I think we all have a time professionally where the importance of what we do every day just made sense like it never did before that day. I've talked with Estate Planning Attorneys who told me stories about families withstanding the loss of a matriarch who held a family together because she had been clear with all of the children about her wishes before she passed, and CPAs have shared stories about business owners living well in retirement primarily because of proper tax planning.

The time where the importance of risk management and planning in the Executive Suite became clear to me was around this time about 10 years ago. A beloved client of mine and my firm ran into a predicament that often only a family business owner can have and without proper planning and risk management could have put him in a bind personally and professionally that would have taken years to untangle. I've changed names and industries, but the circumstances of this story are all true.

Peter is the owner of specialty wholesale supplier which outfits commercial kitchens with his brother in law Paul. Peter is also involved in 2 other business connected to the food service industry with his business partner Simon.

Peter's older sister, Mary, Paul's wife told Peter that Paul has been acting strange at home, and she had to recently stop him on the way to car dealership as he said, "he was going to go buy a Porsche this weekend.". Paul has always suffered with some clinical depression and has been known swing from highs to lows. However, Peter had his CFO that handles the books for all three companies he owns with Simon look into the books of the wholesaler to see in Paul had been doing anything strange with money. There were a few contracts that looked like they'd gone up a lot in price, Peter asked Paul why, Paul could not explain. Mary stepped in with Peter, and had Paul sit down with his doctor. After cognitive tests were run it was determined that Paul has signs of dementia, Paul is 63 and Mary is 60.

Peter had a predicament on his hands: he needed to step in to run day to day operations of his wholesale business, bring on a new partner, and work with his sister to figure out what to do with Paul. Simon, Peter & Paul had a buy-sell in place for the wholesale business, the disability portion called for Paul to get a 5 year payout of his interest in the business. However, though this payout helped, it did not replace the next few years of income that Mary and Paul had planned on till he was 68 and she was 65 and could collect her county pension as a teacher. Plus Paul & Mary's entire retirement plan was now thrown into chaos because of the need to find a way to care for Paul

About 5 years prior to his diagnosis, Paul put Long Term Disability coverage in place for himself and the employees of the wholesaler. Simon and Peter at the time disagreed with the decision and saw it as waste of money, none of the other companies they owned had LTD why should Paul's. One month after the diagnosis, Paul received his first disability payment for 60% of his income. Two months after the diagnosis each of Peter and Simon's companies had an LTD plan in place.

At the time this story actually occurred, I had never walked an Executive through a claim. After this story happened, I truly understood the power of proper Risk Management in Executive Benefits. Because a Long Term Disability policy was in place Peter was able to care for his business and his sister's family without scrambling to find a way to make something happen after the fact.

This story came to mind for me because last week another company an associate of mine handles Commercial Insurance for called me to consult on similar situation. Three brothers own a company together, and one of them had a stroke would never work again. They have no disability in place, our entire meeting revolved around what they can do from current cash flow for their brother. A bit of planning could have changed the entire conversation from desperation to hope for what was next for the company and the family.



