

# BENEFITTING

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## Tips About Disability Insurance For Small Business Owners

By Kristi Sweeney, CFP®

**DISABILITY INSURANCE-** As a small business owner, you are particularly vulnerable to the risks of a prolonged illness or a disability from an accident. Your business and your lifestyle may very well depend only on YOU and your ability to earn an income. This may be a critical risk for you. It is also a risk that is difficult to completely insure against. Some possibilities (from most preferable to least beneficial):

1. **Individual Long Term Disability Insurance:** This is the most preferred solution, however it may be difficult to qualify for this coverage. It requires good health, net after business expenses income greater than \$20,000, an insurable occupation, and continuity of business for more than one year. This coverage protects you, your family and your lifestyle in case of prolonged illness or injury that keeps you from being able to work as many hours or as effectively as you do now.
2. **Business Overhead Expense Disability Insurance:** Important insurance if you are the main income producer in your business, have considerable business expenses and intend on continuing the business for one to two years in order to sell, transfer or return to your business once you recuperate. This coverage protects the business, and your investment in your business, in case of your disability.
3. **Group Disability Insurance:** less expensive than individual coverage, your business can easily qualify if you have over ten employees and you have been in business two years. Drawbacks? Insurer can cancel, raise rates, and change benefits. This is not a good fit if your income decreases. Your insurance may not go with you if you leave your employment.

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4. **Long Term Care Insurance:** In case of *catastrophic disability*, LTC insurance provides money for ongoing care whether at home or in a care facility. Some policies are available that pay a flat amount per diem rather than reimbursing for claims. Policies are available that pay if a spouse or unlicensed family member cares for you. The amount of daily benefit can range from \$50 to \$300 a day. This money can be spent anyway you want, so it can *provide income as well as* help meet care expenses. Coverage is not income or occupation contingent - If you are healthy, you can qualify.

5. **Accident and Dread Disease Plans:** Coverage is limited to one year or one specific disease. Benefits paid are limited to not more than \$1,000 per month or one lump sum payment. Generally, you must be working and have an insurable occupation, so policies are available to most people. It provides very limited protection.

Without disability insurance as protection against loss of income due to sickness or accident, you would need to use savings or sell your assets, depend on Social Security Disability payments (you must be fully insured), or get Workers Compensation for on the job related claims that cause loss of income. A long term disability has serious financial consequences.