



# INCOME PROTECTION PLANNING: WHY IT MATTERS

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# PRESENTERS

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**Steve Walker, CLTC® , LUTCF®**

Vice President of Institutional Accounts  
E4 Insurance Services



**Brady Serold, CLTC®**

Senior Vice President, Disability Income  
E4 Insurance Services

# DISCLOSURE

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- Steve Walker, Brady Serold, and E4 Insurance Services does not give legal or tax advice. Please consult with your legal and tax professional on any of these matters.
- This presentation is meant to be educational, and therefore not all encompassing of all potential considerations. Please reach out to your Risk Advisor to have an individualized discussion around your needs.

# AGENDA

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- Your Income = Your Biggest Asset
- What's Your Plan
- Group Long-Term Disability Insurance
- Covering The Gap
- Business Considerations



# YOUR INCOME = YOUR BIGGEST ASSET

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- 30-year-old planning on working to age 70 (40 years)
- \$100,000 annual income
- Assuming no pay raises for the rest of their working life...
- 40 years x \$100,000 = \$4,000,000
  
- Is there any other asset that a 30-year-old owns that is worth more than \$4,000,000?
  - Would you insure a \$4,000,000 house?
  - Would you protect a \$4,000,000 money machine?

# WHAT'S YOUR PLAN?

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- We need to address 5 basic expenses that EVERYONE has:
  - Place to live
  - Food
  - Utilities
  - Transportation
  - Insurance

**+ LIFESTYLE**

# HOW WILL YOU PAY FOR YOUR PLAN?

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- Savings
- Investments
- 401(k)
- Sell Items
- Change lifestyle
- Government (Social Security Disability)
- Employer Disability Coverage (LTD)
- Personal Income Protection (IDI)

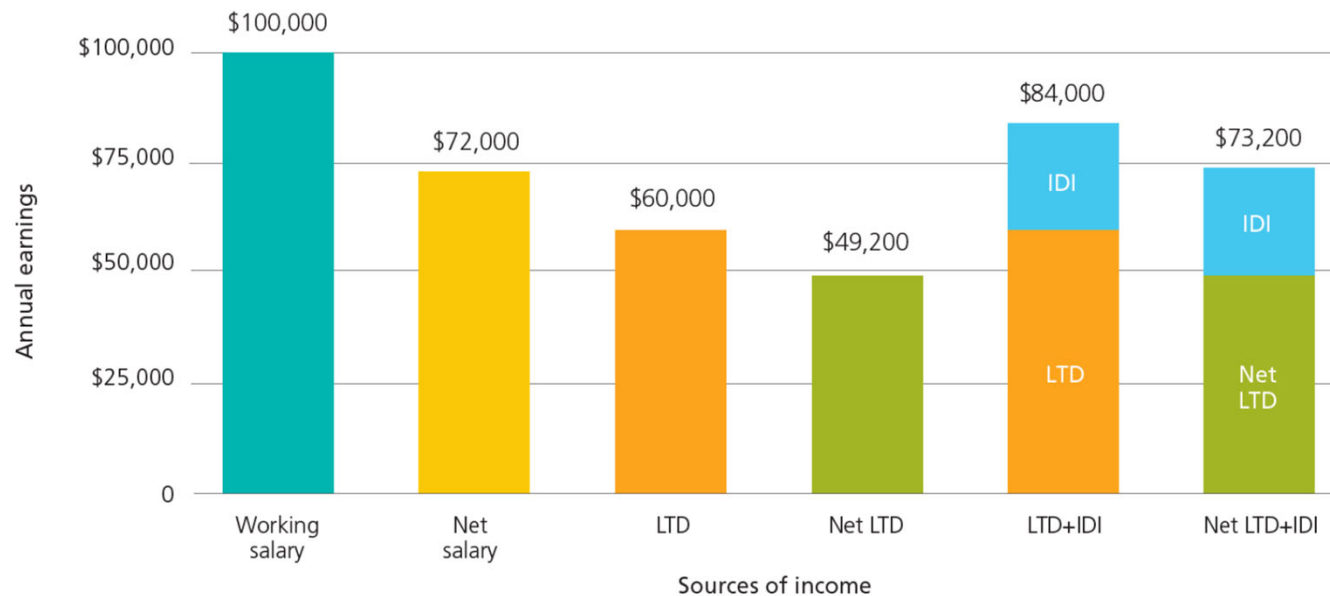
# GROUP LONG-TERM DISABILITY INSURANCE

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- Employer Paid
- Monthly Maximum
- What income does it cover?
- Is the benefit offset by other benefits and/or income?
- What about a partial disability?
- Own-Occupation vs Any-Occupation

# WHEN 60% ISN'T 60%

- Group Long-Term Disability (LTD) coverage often provides enough protection for most employees, but for the highly compensated, Group LTD may have some pitfalls.



# EXECUTIVE CARVEOUT OR BENEFIT EQUALIZATION

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- Do high-income earners have equitable benefits when it comes to income protection? Does 60% = 60%?
  - What income is covered - Salary? Bonus? Commission? K-1?
  - Monthly Maximum? (\$5k, \$6k, \$15k?)
- What can be done?
  - Executive Carveout
  - Benefit Restoration
- You can pick and choose to give asymmetrical benefits to your asymmetrical contributors!
  - Clearly defined class of employee to offer additional benefits
  - Potential for Guaranteed Issue

# KEY PERSON DISABILITY

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- What happens when your best goes out?
- Provides benefits to help offset the cost of losing a key employee to a disability
- Benefits can be used toward recruitment costs, temporary staffing needs, etc.

# BUSINESS OVERHEAD EXPENSE

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- Reimburses key fixed business expenses during a disability
  - 30-day, 60-day or 90-day elimination periods
  - 12-month, 18-month, and 24-month benefit periods available
  - Business Loan Protection available as well
- Premium is a deductible expense for the business

# BUY-SELL PLANNING

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- Key Aspects of a buy-sell agreement
  - Triggering Events
  - Valuation
  - Funding
- Triggering Events
  - Death, Other Lifetime Transfers (Divorce, Retire, Jail, etc), & Disability
- Valuation
  - How the company is valued at time of trigger (Stated, Formula, Appraisal, etc)
- Funding
  - Cash, Loan, Insurance

# DISABILITY BUYOUT

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- Under a buy-sell agreement, Disability Buyout provides the following in the event of a total and permanent disability of one or more of the owners in the same firm:
  - Claim determination
  - Liquidity
- 1-year, 18-month, or 2-year elimination periods available
  - Make sure this matches up with the buy-sell agreement

# WHAT NEXT?

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- If you have individual questions, or want to review your plan:
  - Reach out to your Risk Advisor at North Risk Partners.
- If you are a business owner, or decision maker, and want to discuss plans to protect the business owners and key people:
  - Reach out to your Risk Advisor at North Risk Partners.

# QUESTIONS?

