

DISABILITY INSURANCE
TO COVER FIXED TERM
PAYMENT OBLIGATIONS

BUSINESS

P R O D U C T S



GUARDIAN®

Disability Insurance to Cover Your Business Obligations

Taking on debt or committing to a financial agreement is often a necessary part of building a successful business. Perhaps you took out a loan to purchase or expand your business, or buy property or office space. Or, you offered a guaranteed salary contract to a key employee. But what happens if you become disabled and can't meet those contractual financial commitments?

It's important to have contingency plans in place to protect your business from the unexpected. Business Reducing Term disability insurance protects the payment of fixed-term financial obligations including business loans, professional practice loans, and salary contract guarantees in the event a disability strikes. You may already own Overhead Expense Disability Insurance, which covers rent, utility, and payroll expenses: most Overhead Expense policies cover loan obligations, too. However, most Overhead Expense policies have a maximum 2-year benefit period – and most loans are for a longer duration. If your business has high monthly overhead, it makes sense to cover the loans with Business Reducing Term insurance. This leaves more “room” in the Overhead Expense policy to cover ongoing everyday business expenses.

The Leading Causes of Disability

When you think disability, do you think “accidents”? If so, you're in for a surprise, because the leading sources of disability are cancer, heart disease, back and spine problems, diabetes, and depression.

Major Disablers	% of New Claims
Musculoskeletal/ connective tissue	22.7%
Cancer	13.6%
Injuries/accidents	7.8%
Mental/psychiatric	6.5%
Neurological	5.7%

Business Reducing Term Disability Insurance Keeps Contractual Payments on Schedule

If you were to become totally disabled from an illness or accident, Business Reducing Term Disability Insurance can fund up to 100% of any financial obligation that requires regular payments over a defined term, such as:

- Business start-up or practice purchase loans
- Capital improvement or expansion loans
- Other medium-term loans that depend on the business talents of a key individual for repayment
- Employment contract guarantees
- Contract performance guarantees
- Purchase agreements

Business Reducing Term Disability Insurance is specifically designed to help you keep your loan or other contractual payments on schedule during a disability. By making sure that you continue to meet your financial commitments even while disabled, you can protect your business, your employees, your personal wealth and your credit rating.

You should consider buying Business Reducing Term Disability Insurance if you:

- Have borrowed money to buy your business, expand it or improve it.
- Offer guaranteed employment contracts to any of your employees.
- Have purchase agreements outstanding.

How does Business Reducing Term Disability Insurance work?

A Business Reducing Term policy is specifically designed to fund financial obligations which require periodic payments expiring at a given time, for example, a loan requiring a monthly payment of \$5,000 over the course of 10 years.

A Business Reducing Term Disability Insurance policy can be acquired at any time during the term of the loan or other financial obligation. You can match the policy duration to the length of your financial obligations, giving you precisely the coverage you need. Consider the example of a policy acquired at inception of a 10-year loan. The policy duration would be 10 years. The number of months for which the policy provides benefits is reduced as you pay down the debt and the length of the financial obligation shortens. But the full monthly benefit is payable until the policy's term ends or the insured recovers. So, under the example above, if you were to become disabled 3 years after taking out the policy, your loan payment would be covered for the remaining 7 years of your loan.

A unique stand-alone policy offered only by Guardian



Guardian is the only insurer to offer a stand-alone Business Reducing Term Disability Insurance policy with these valuable benefits:

- Covers up to 100% of your monthly loan payments (principal and interest)
- Helps protect your business and credit rating from the negative consequences of a loan default
- Considered an acceptable form of loan collateral for banks

- Covers up to 100% of the net after-tax cost of employment contract payments
- Provides a monthly benefit up to \$22,500
- Offers a choice of 5 to 30 year term periods
- Offers a choice of Elimination Periods – one, two, three or six months, or one year
- Provides a Waiver of Premium benefit for total disabilities lasting 90 days or more*
- Considers you totally disabled when you are unable to perform all the substantial and material duties of your own occupation or profession, and are not working in any occupation

Tax Considerations*

The premiums you pay for a Business Reducing Term Disability Insurance policy are not a deductible business expense. However, in the case of a loan, the benefit payments are made directly to a designated payee and are not taxable to your business. Benefits paid for an employment or performance contract would be received by the employer on a tax-exempt basis and paid out on a tax-deductible basis.

REFERENCE!

* This publication is provided as a courtesy by Berkshire Life Insurance Company of America and does not modify the provisions of any policy. It is offered for the purpose of education and information only and is not intended to constitute tax or legal advice. For information on your specific situation, please consult your personal legal or tax advisor.

Next Steps

- Consider your ability to continue making loan payments, fulfilling salary contracts or paying purchase agreements if you became disabled.
- Ask your financial advisor or insurance representative about Business Reducing Term Disability Insurance.
- Compare the cost of the policy vs. the cost to your business, personal wealth and credit rating if you were to default on a loan or fail to meet your financial commitments while you were disabled.
- Complete an application.



Disability income Policy Form AH55-A provided by The Guardian Life Insurance Company of America, New York, NY. Product availability varies by state.

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