

An **Educational** Guide
for Business Owners

Seeing beyond the risks

Disability Income Insurance



Insurance Strategies



We'll help you get there.®



A snapshot. A point in time. A step back.

Whatever you call it, taking a moment to look at the business you've created is a good decision. Doing so provides the opportunity to see where you are, where you want to go, and if you have the right structure in place to get there. It also lets you see what risks you may face so you can address them quickly and efficiently – in a way most favorable to your bottom line.

You took a risk when you started your business. Now is the time to see beyond the risks, and focus on how you want your future to look.

Business Structure

An easy way to 'take a step back' is to look at three distinct areas of your company; its **Leadership**, its **Operations**, and its **Execution**. Your MassMutual financial professional can assist you in completing the simple chart.

Leadership	Operations	Execution
_____ % Revenue	_____ % Revenue	_____ % Revenue
_____ % Expenses	_____ % Expenses	_____ % Expenses
Include listing of owners, partners (and share) and key employees. Also include tax reporting structure, influencers such as attorneys & CPAs, and business lifecycle stage.	Include expenses from operations, specifically leases, rents, utilities, and other overhead costs. Also consider inventory, research & development, and equipment costs.	Include # of employees (by type, function, or duty), associated payroll, incentive pay programs, benefit offerings (health, disability, other) and applicable retirement plans.

What do you see?

Once the chart on the previous page is complete, some issues may be easy to see. Other issues may not. You also may be asking yourself a few questions, such as:

Questions	Notes
From which area of the business is most of my revenue coming from? Can I generate revenue from other areas?	
Do expenses from a particular area match the value it provides to the business?	
How much does my company rely on the daily presence of key employees and partners?	
Am I compensating my employees appropriately? Am I providing meaningful benefits?	
If one business area couldn't function, could the other two areas continue uninterrupted?	
How closely is my personal income and long-term financial strategies tied to the company's success?	
Additional questions you may have:	

Where should you look next?

Many of the issues or risks that you may discover can be addressed with a well thought out business plan that uses disability income insurance as its foundation.

Disability income insurance can help the business owner on both a personal level and a business level. In the event you become too sick or hurt to work, our disability income insurance policies can help to:

- Cover the operating costs of the business
- Provide the funds for small business partnership buyouts
- Replace a portion of lost earnings
- Help protect the ability to continue saving for retirement

Disability income insurance protection can also be made available to your employees.

MassMutual understands the unique needs of small business owners. That's why we have a portfolio of disability insurance products designed with the small business owner in mind.



Disability Income Insurance

Designed especially for professionals, business owners and corporate executives, a Radius® disability income insurance policy helps you protect a portion of your income should you become too sick or hurt to work.

Once you're covered under a Radius policy, your rates will not change and your policy cannot be cancelled, provided premiums are paid on time. Radius can provide coverage for both total disability and partial disability. Our Extended Partial Disability Benefits rider (available at an additional cost) can provide benefits if you become partially disabled and work on a limited basis.

Radius helps you protect your income with portable, non-cancelable coverage to age 65. It can be used to supplement any group long term disability (GLTD) coverage that may not be adequate, helping you protect a larger portion of your income.*

Individual disability income insurance is also a much sought after coverage that can be made available to company employees. You or your employees can enjoy discounted premiums.

Business Overhead Expense

Business Overhead Expense (BOE) disability insurance helps cover the day-to-day business expenses that help keep the company's doors open – for up to two years – should you become totally disabled. Employee salaries, rent, leases, interest on debt and insurance premiums can all be covered by the policy. Even your temporary replacement's salary.

BOE is specially designed for companies with a maximum of five owners and eight employees. BOE covers owners and professionals who are actively involved in the business on a full-time basis and whose presence is critical to its ongoing operation. Even more importantly, BOE can provide your employees with some assurance that you've taken the precautions to help keep your business, and their source of income, viable in the event you become disabled. That's good for employee retention.

BOE can provide coverage for both total disability and partial disability. This important coverage is non-cancelable and provides protection up to age 65.



* The Radius policy does not coordinate with your group long term disability coverage. Claims decisions are rendered independent of each other.

Disability Buy-Sell

Disability Buy-Sell insurance is designed to fund the disability portion of a formal Buy-Sell agreement. The policy provides funds for the purchase of the insured's share of the business in the event of his/her total disability.

MassMutual's Disability Buy-Sell policy covers partnerships and professional corporations comprised of five or less principals. The policyowner may be the corporation or each business owner may own a policy on the other business owners. This Buy-Sell policy is conditionally renewable and has guaranteed premiums up to age 65.

The policy provides the active owner(s) the funds necessary to purchase the disabled owner's share of the business, up to the terms of the contract. It can also help define when a buy-sell should take place, by incorporating the policy definition of total disability into the buy-sell agreement. A solidly funded Buy-Sell agreement can demonstrate to investors, creditors, employees and customers that your business has plans in place and is prepared to meet the unexpected challenges of a disability.

Qualified Sick Pay Plan

You might be surprised to learn that the IRS has ruled that if a Qualified Sick Pay Plan is not established prior to a disabling accident or illness, the "wages" paid to a disabled employee are not a business expense and not tax deductible.

With a Qualified Sick Pay Plan in place, you can establish company policy ahead of time – before an employee disability occurs. The plan identifies who to pay, how much to pay, when to start payments, and how long to pay.

You can fund your Qualified Sick Pay Plan with a disability income insurance policy issued on each employee to be covered. This helps you avoid having to pay disability benefits out of your company's assets.

An insured plan means MassMutual provides all insured benefits payments, and assumes the responsibility for determining claims. This saves you the trouble of deciding what constitutes a disability and for how long benefits should be paid.



Radius [Policy Form XL-IS-92 and XL-IS-92(NC)], BOE [Policy Form BOE-99 and BOE-99(NC) in North Carolina and BOE-9200 in Florida and New York] and Buy Sell [Policy Form Bsell-00 and Bsell-00(NC) in North Carolina] are issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111. Buy Sell is not available in California.

These policies have exclusions and limitations. For costs and complete details of coverage, call your agent or MassMutual at 1-800-272-2216 for referral to an agent.

The information provided is not written or intended as specific tax or legal advice and may not be relied on for purposes of avoiding any Federal tax penalties. MassMutual, its employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

Notice to New York residents: Radius [policy form XL-IS-92] provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio for this policy is 50.2 percent. This ratio is the portion of future premiums which the company expects to return as benefits, when averaged over all the people with this policy.

Notice to New York residents: Business Overhead Expense [policy form BOE-9200] provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio for this policy is 52.2 percent. This ratio is the portion of future premiums which the company expects to return as benefits, when averaged over all the people with this policy.

Notice to New York residents: Buy-Sell [policy form Bsell-00] provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio for this policy is 55.0 percent. This ratio is the portion of future premiums which the company expects to return as benefits, when averaged over all the people with this policy.

