



EXCEPTIONAL RISK ADVISORS

BUY-SELL DISABILITY POLICY MARKETING AGENCY

Client

Three sisters in their 40s and 50s who own a marketing agency valued at \$15 million.

Situation

The advisor was asked to provide disability buy-sell coverage to fully fund their buy-sell agreement to the tune of \$15 million. The sisters were unwilling to pay the cost to fully fund their agreement and required an alternative solution.

Assessment

Working closely with the advisor, the client, and their counsel, it was determined that the sisters would extend the disability buy-sell trigger to 24 months to afford them both time to recover from a debilitating event or diagnosis, and reduce the cost of funding their agreement.

Solution

Exceptional Risk Advisors designed a customized policy to provide \$25,000 per month per sister for 18 months after a six-month waiting period. The intent of this policy was to provide the sisters with salary continuation without causing a drag on the business. At the end of the 18-month period, the policy would trigger a lump sum distribution of \$1,000,000 to fund a down payment for the repurchase of the disabled sister's shares. It was agreed that the remaining balance of the share repurchase would be funded by a bank loan, paid over 60 months.

Result

The owners of the business now had a real solution in the event one of them became disabled. By installing a policy to continue their incomes and extend the disability buy-sell trigger required to repurchase the disabled one's shares, the sisters could reduce the cost of funding their agreement without putting a strain on the business.

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