

Four Ways to Fund a Disability Buy-Sell Plan

There are *FOUR* ways a disability buy-out plan can be funded:

1. Cash Method

The business or its owners could accumulate sufficient cash to buy the business interest at an owner's disability. Unfortunately, it could take many years to save the necessary funds, while the full amount may be needed in just a few months or years.

2. Installments from Current Earnings Method

The purchase price could be paid in installments after an owner's disability. For the remaining active owners, this could mean a drain on business income for years. In addition, payments to the disabled owner would be dependent on future business performance after the owner's disability.

3. Loan Method

Assuming that the business could obtain a business loan after an owner's disability, borrowing the purchase price requires that future business income be used to repay the loan PLUS interest.

4. Insured Method

Only disability buy-out insurance can guarantee that the cash needed to complete the sale, through either a single sum or installment purchase, will be available exactly when needed, assuming that the business has been accurately valued.