

T-Mail

Navigating the Executive Benefits Landscape
with The Todd Organization



The Importance of Supplemental Disability Insurance

When a senior executive is disabled, it reverberates throughout the management ranks and elsewhere in the company. There are understandable concerns about business disruptions and the steps that must be taken to address them.

Even more important, and potentially troubling, the disability often hits home for those who have worked with the disabled executive and are concerned with his fate and that of his family. For aging baby boomer executives and others, disabilities caused by medical conditions or any number of accidents can sideline once highly productive professionals for months, years, or even permanently.

If the sidelined executive does not have or has not been provided with an opportunity to have sufficient disability coverage, morale can sink. Many executives wonder if they and their families will be the next to face this dire situation.

Covering More than Partial Salary Replacement

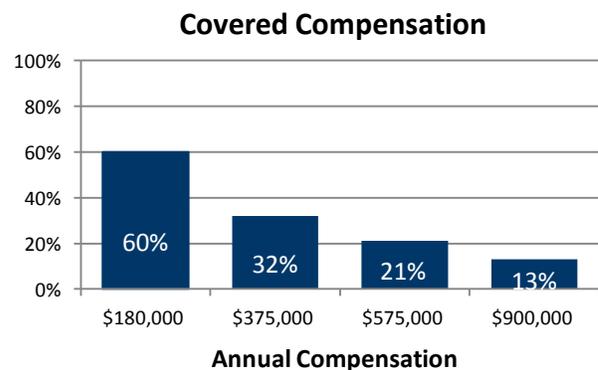
At many companies, group long-term disability insurance is simply insufficient for executives. A typical approach is to provide a taxable benefit based on 60 percent of one's salary, up to a maximum monthly benefit of \$10,000.

The Gap

As the chart shows, many senior executives have significant gaps on the amount of annual compensation replaced by the group long-term disability plans.

Group long term disability plans commonly cover 60% of annual base compensation (salary) with a taxable benefit. This creates a "gap" in income protection.

Thus, bonuses, commissions, stock and other incentive compensation are not part of the disability coverage equation.



The Importance of Supplemental Disability Insurance...cont'd

Solutions

Companies have two primary options to address this shortfall.

First, they can expand the group long-term disability coverage for all employees. This can be quite expensive. Significantly more coverage may be needed. In addition, as the risk pool of participants is smaller than for the entire workforce, insurance rates could be higher. There may also be significant administrative and human resources paperwork needed to accompany this expansion.

The Individual, Supplemental Option

A second solution is for companies to provide additional disability benefits at little to no cost by leveraging their buying power and facilitating the ability for key employees to purchase disability policies at or near group rates through a company-sponsored disability plan. These plans can be paid by the executive, the employer, or in combination.



Because these are individually issued policies, the company does not have to take on the administrative burden associated with this additional coverage. The executives also have the assurance of knowing that the policies are portable and that the coverage will remain in force, so long as premiums are paid.

A company-sponsored offering also benefits executives because they are able to buy on a simplified issue basis, which means few medical questions and often no exam unless there is a pre-existing condition. This supplemental disability insurance is also offered at deeply discounted rates as compared to only one individual's purchase.

Tax Benefits of Individual Policies

And there is more good news. If the premiums are executive-paid, the benefits are received tax-free under current tax laws. Should the company need to lay off the executive for disability reasons, the executive and his family have improved long-term financial security from the supplemental disability benefits.

The Todd Organization provides a turn-key option for companies to add or replace a supplemental disability program. Our team of disability specialists makes it easy by providing strategic planning, enrollment and critical ongoing administration. For more information about these programs, please contact your consultant at The Todd Organization.

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