

## Your Buy-Sell Covers Death. Does It Cover Monday Morning?

*Disability is far more common than death during working years — and almost never funded the same way.*

### THE GAP

- Most shareholders' agreements are built entirely around death.
- Group LTD, if it exists at all, is capped low, often excludes owners and highly compensated execs, and was never designed to fund a business buyout.

### TWO DIFFERENT PROBLEMS, TWO DIFFERENT PRODUCTS

| Product                      | Who gets paid                        | What it's for                                                                                                                                                                               |
|------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Key person disability        | The business                         | Replaces lost revenue and covers the cost of temporary or replacement talent while a key producer or exec is out.                                                                           |
| Disability buy-sell (buyout) | Funds the buyout under the agreement | A lump sum or installments, released only after a long elimination period (12–24 months) matched to the agreement's own waiting period — so recovery isn't cut short by a forced valuation. |

### TAX NOTES

- Premiums are non-deductible either way — a personal expense under the Income Tax Act regardless of who technically pays them.
- Benefits are received tax-free, provided the policy qualifies as accident & sickness insurance.
- The most common mistake: routing premiums through the corp to try to deduct them, which just creates a taxable benefit problem instead of saving anything.

### WHERE YOU COME IN

- Next time you're reviewing a shareholders' agreement that only mentions death, ask the obvious question: what happens if one of them can't work tomorrow? That's usually the opening.