

T-Mail

Navigating the Executive Benefits Landscape
with The Todd Organization



The Growing Need for Supplemental Disability Insurance

Supplemental disability income insurance can be one of the most cost effective and compelling benefits a company can offer to its key personnel. In fact, the plans can be provided at little or no cost to the company. By facilitating retention and productivity, the plans reduce recruiting and turnover costs, thereby strengthening shareholder value.

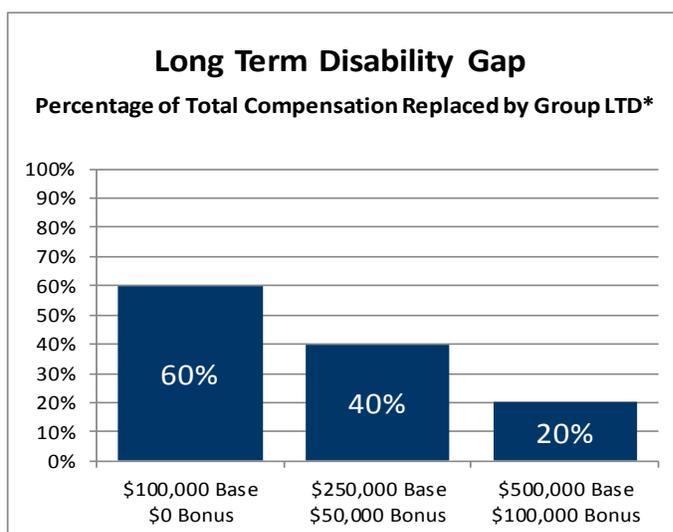
For several reasons, the need for supplemental disability insurance is greater than ever. Baby boom executives are becoming older, which increases the odds of a disability. Since the Great Recession, many companies have also reduced the benefits from their group long-term disability programs, which were already very inadequate for high-producing, valuable executives.

The number of employees covered by long term disability insurance has fallen by 5.6 percent from 2009 to 2013, according to surveys and analysis by the Council for Disability Awareness. In addition, many companies have reduced group long term disability benefits, such as by lowering the payout ratio of salary that will be replaced from 60 percent to 50 percent.

For several reasons, group long term disability insurance is inadequate for executives and can even provide a false sense of security.

A typical group long term disability plan caps the disability benefit at \$10,000 per month, or \$120,000 annually. Frequently, group plans have a 60 percent replacement ratio that covers base salary only. This means any base salary over \$200,000 would be lost.

Most group plans are not designed to cover bonuses, commissions, contributions to nonqualified retirement plans (e.g., deferred compensation matches), stock compensation, and other forms of incentive compensation. Thus, a large percentage of the executives' compensation is at risk.



*Assumptions: Group LTD plan covering 60% of base salary only, up to a monthly maximum benefit of \$10,000.

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The Growing Need for Supplemental Disability Insurance...cont'd

Companies can 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 supplemental disability plan. These plans can be paid by the executive, the employer, or in combination.

A company-sponsored offering further 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 buying as an individual. 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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