

Pro-Text
by Darren Reith

Critical Illness & Your Business

If you had a heart attack today and couldn't work for six months or a year, would your business continue to thrive without you?

As a business owner, you may have thought about what would happen to your business if you or your key employee dies, but have you thought about the financial impact a critical illness would have? It is true that many business owners concentrate on putting most of their money into growing their company today, with the goal of using their business assets to fund retirement, but being diagnosed with a critical illness could have the potential to undo all that was diligently planned.

A Critical Question: *Would you sell your business today at half its real value if you didn't have to?*

Take a look at Jack's situation today. Jack opened his own consulting firm three years ago. Business has been good and justified hiring one employee – an assistant, Steph, who has been with him for a year and a half and whose customer-relations skills and administrative know-how is a tremendous asset to his company. Jack plans to hire at least one more full-time employee within the next six months. He has taken out loans for equipment and furnishings. He also leases some of his equipment and rents his office space.

Tomorrow, the unexpected happens. It's a medical emergency in which Jack suffers a stroke. His doctor tells him to expect at least four months of rehabilitation.

Three months after diagnosis, Jack is not recovering as quickly as he thought he would, and he is still not able to return to work, even on a part-time basis. His doctor tells him to be patient, that he's making progress.

After eight months, he makes it back to work. Our scenario can have two potential outcomes.

(A) Jack did not purchase Critical Illness insurance. He had to lay Steph off. Business is slow. Jack has exhausted his financial resources - his RSPs and other investments included - and creditors are waiting for their money. Jack has no choice but to sell the business quickly, at less than market value. So much for the retirement he planned for.

(B) Jack purchased Critical Illness insurance. After three months, he decided to use part of his benefit and hired a consultant on a contract basis just in case his recovery takes much longer. He's back to work after eight months and business continues to pick up so much so that he can hire his contract consultant full-time. Everything is on target.

There are several financial markets that sell critical illness insurance, in Jack's scenario, the best policy for him was Lifecheque with Manulife Financial. Your advisor will work with you to choose a policy that works best for your particular situation.

It is impossible to predict how much impact a critical illness could have on your business but, when purchasing critical illness insurance, some of the issues you may want to plan for can be addressed. These might include replacement of a key person while he or she recovers; protecting a business plan; funding a buy-sell agreement; and reducing or eliminating debt.

While critical illness is fairly new to the marketplace, more and more Canadians are discovering the value of critical illness insurance. It can protect your hard-earned financial resources if you are diagnosed with a critical illness and allows you to focus on what's most important ... getting better.

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