

Client Story



The debateable business expense that saved the day



“ Our family will be forever grateful that there was money available when we needed it most. Life has definitely taken an unexpected turn but the financial buffer we received has enabled us to face these challenges.”

How this story started

Our clients Tom and Sally (not their real names) were one-third partners in a successful retail business. We helped the three business partners (and their families) set up personal insurance to protect their incomes and provide valuable cover in the event that illness or injury prevented them from continuing in the business. We regularly met with the three partners to review the protection in place and in the last few years they had started to raise concerns around the increasing cost and value of this cover as their business grew. We continued to reiterate the value of this cover, highlighting that unplanned events and illness could still create significant personal and financial stress on their business – and more importantly, their families. It’s debateable whether the partners were convinced by our advice. Regardless, as we shall see, retaining the insurance had profound benefits when calamity came to visit.

What happened?

Shortly after one of these regular reviews Tom had a significant accident at work resulting in a head injury consequently requiring brain surgery. As a result of this surgery Tom had permanent cognitive impairment which affected his memory, stamina and ability to manage people. This meant that Tom was unable to return to work in their business.

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How we helped?

Tom needed to retire from the business partnership, but he needed to be adequately compensated for his share of the business. More importantly his family still needed an income as he was the primary earner at the time. Fortunately, with the protection we had put in place Tom's family will receive a long-term stable increasing income from Tom's income protection benefits until he reaches age 65.

The business insurance that we put in place paid \$525,000 to Tom and his family for their share of the business. This also meant that the two other business partners did not have to come up with the money (which they didn't happen to have lying around). As such, the business was able to continue without financial disruption. Tom and his family also received lump sum payments totalling approximately \$500,000 from personal Trauma and total and permanent disability insurance.

Tom's medical situation was not clear cut and there was ongoing potential for his cognitive impairment to improve over time. This required a lot of additional back and forth with the insurance providers to ensure that his situation was clearly represented and to ensure that they received the maximum benefit from all their policies. This is where we were able to provide the most value for Tom and his family, as we pushed the insurer and their assessment to make sure that all the claims were approved.

The outcome

Tom was only 45 when his accident occurred. He had a long working life ahead of him with two sons at private school and a significant mortgage on their home and debts within the business. With the right cover and our help, Tom's family has paid off their mortgage and have no debts. They have a school fund for both of their boys, ensuring that they can finish their high school education uninterrupted or changed (one of Sally's key priorities from day one). Sally has also been afforded the opportunity to cease working and have more time at home helping Tom and her boys. Whilst their lives will never be the same, financially we were able to take away any stress or concern. Tom and Sally are now financially independent and, in a position, to focus on their future.

Happily, too, the remaining partners have kept going with the business. Free from the debt burden they otherwise would have been saddled with to pay Tom out, they have maintained the growth trajectory the business was on before his accident. And yes, they are happy to keep paying the insurance premiums!

"We were shocked by what happened to Tom. However, it's great that he's been taken care of and the business could continue without him. Thank goodness the insurance was in place."