178: Insurance: What Physicians and Entrepreneurs Need to Know with Larry Keller

Full Episode Transcript

With Your Host

Bonnie Koo, MD

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Hey, if you've been curious about my Live Wealthy program, the money coaching program I specifically designed for women physicians, you'll have the opportunity on September 17th, Sunday, at either 12 pm or 8 pm eastern. This is your chance to find out everything about the program.

I'm going to do a behind the scenes sit tour of the program, you'll actually see what the program looks like. I'm going to answer all of your questions and you'll get to meet current members who will talk about what they have accomplished since joining the program.

So, if you have been curious, if you have been thinking of joining, this is for you. To sign up go to wealthymommd.com/open, O-P-E-N. I will see you there.

Welcome to the *Wealthy Mom MD Podcast*, a podcast for women physicians who want to learn how to live a wealthy life. In this podcast you will learn how to make money work for you, how you can have more of it, and learn the tools to empower you to live a life on purpose. Get ready to up-level your money and your life. I'm your host, Dr. Bonnie Koo.

Hey everyone, so today I have a special guest. So a few episodes ago I talked about some of the top insurances that you really need to consider and get. And so for those of you listening and you did not have adequate life insurance and maybe you were considering disability insurance, so I wanted to have Lawrence Keller, we call him Larry on the show.

So he was actually my agent for my life and disability insurance. And we've known each other since, apparently, since I was a resident. I almost forgot that. So he has seen my whole pivot from dermatologist to life coach full-time. So that's kind of fun that we've known each other that long.

So I wanted to have him on to talk about some nuances. So we do get into the weeds a little bit, so if you get lost, don't worry. I don't expect you to understand everything, but there are a few things that hopefully I've highlighted for you during this episode.

But really, the bottom line is if you are a woman and you plan to have children, you need to get life insurance now, even if you're single. You may choose to have children without a partner. Regardless, if you plan to have children and you're a woman, get life insurance.

It's pretty inexpensive for a woman, we're talking about term life insurance. And you'll find out why that is the case and why waiting until you become pregnant or after can increase your premium dramatically. And I'm going to share my story where if I didn't get insured when I did, my premium would have more than doubled.

And we're going to talk about disability insurance. And mainly I talk about it in the context of physicians and dentists et cetera, but for those of you listening who are not and if you're a lawyer or also a coach like me or an entrepreneur, you definitely want to listen.

It's not something we think about a lot and it's really something you should consider because no one thinks they're going to get disabled or die. We know that's going to happen at some point, the dying part anyway. But we don't really think about that. And mainly because of what I do and what I know in terms of finances, I've already started thinking about like, what is my business succession plan? Like, what happens if I can't coach? What if I become disabled?

Now, I have created a coaching practice where I can easily hire other coaches to do the group coaching for me inside my program, for example. Obviously, I wouldn't be able to coach my one on one clients and I would have to transition them to somebody else. But if you are an entrepreneur and you're listening, it's something you need to think about, right?

Estate planning is for your personal stuff, but then the business side has that as well. I don't know if it's called business estate planning. Maybe it's called business succession planning, but something I really want you all to think about.

And this isn't fun stuff to think about, obviously, but it's so important. The last thing you want to happen is for your loved ones to have to pick up the pieces and not have enough money for them to move on. And I think it's a tragedy when I see that. I hate it, it's so awful and can be prevented by getting insured, okay? All right, listen on.

Bonnie: All right, Larry, welcome to the show.

Larry: Thank you so much. I am very glad to be here.

Bonnie: We've known each other for a while. I think we first met when I was just starting a blog, right? Isn't that right?

Larry: It was even before. It was just when you were finishing residency.

Bonnie: Oh yeah, yeah.

Larry: You were in California and then making your way back to the northeast.

Bonnie: Oh my god, I kind of forgot that. So that was 2015-ish. Time flies.

Larry: That definitely sounds about right, yes.

Bonnie: Yeah. So you knew me pre-blog, and now a lot has changed in that time, obviously.

Larry: Yeah, all good stuff. All good stuff.

Bonnie: So the reason why I wanted to have you on the show is to talk a bit more about life and disability insurance. I just did an episode a few episodes ago where I just kind of went over the basics and why people should consider it. I'm always surprised, I just assume people know to get this but, as I'm sure you know, people might know but it's just like one of those things you're like, oh yeah, I'll get to that. And they never get to it until it's too late, right?

Larry: All the time.

Bonnie: So my goal is to kind of put it out there, educate people, and maybe a reminder like, hey, I haven't gotten this yet, maybe I should do it. For example, Matt, my partner, does have a small life insurance policy that, actually, I think you did. And then we decided to get additional because he was marked as a smoker back then, which obviously totally messed up his profile or whatever you call it, even though he had quit.

But I guess since he had quit in a short amount of time, after a certain amount of time had passed we were able to get some more insurance.

Larry: Yes.

Bonnie: Yeah, but it took him like six months to fill out the paperwork because he was like, I don't want to do this right now, yada, yada.

Larry: It's never fun.

Bonnie: Yeah.

Larry: Someone has to lead you down the path to a certain extent. Once it gets going, it's easy. But I mean, think about it, how many people are super motivated to go out and say, what happens if I get too sick or hurt to work? What happens if I pass away? They're not exciting topics, but at the end of the day it goes back to offense is something that's great to talk about, but defense is what wins championships.

So in my world, even being a certified financial planner professional, I always look at it as the defense first and then we go on the offense. And the truth of the matter is, if I wasn't in this industry, I can't tell you that I'd be different than any of your listeners. Like I'm going through my day to day, whether I'm an entrepreneur or whether I'm a physician, I'm dealing with stuff at home, I'm dealing with my personal life. When do you find time to fit it in?

And unless you're really specific in terms of, I want to make sure that I get this done, it's too easy to push off and put on the back burner, and you're right, it just doesn't get done.

Bonnie: Yeah. And then that includes estate planning too, right? One of the things that doesn't seem urgent until you die.

Larry: Yeah. I mean, I always tell people when it comes to disability insurance, either you always think that it's never going to be you and by the time you realize that you need it, you probably can't get it. And it usually will be the result of either a diagnosis, or I say this tongue in cheek, or you got lucky and it wasn't you, but it was a friend or a family member. And basically your takeaway from that is this could have been me, now let me get myself adequately set up.

Bonnie: Yeah. Okay, so let's dive in. So what I wanted to talk about today is basically life and disability insurance. I think it's pretty obvious why people need it, but maybe not. I was wondering, is there anything different about life insurance for higher-income earners?

Now, my audience is mainly women, and that's who I coach. So I do also want to touch upon the difference between men and women. I know some of them, but I figured you know a bit more than me. So, first question, anything different for high-income earners except that we should buy more life insurance?

Larry: Yeah, I mean, if you have a high-income earner or you have a dual executive couple, or a physician and an attorney, they're both working and if that's the case and they're both earning substantial incomes. If they're not using both of their full incomes to either save or spend or meet their goals, you probably don't necessarily need as much.

But let's say you only had one person in a couple working and one stayed at home. A lot of times this never even gets talked about. Because they are at home and they're not bringing in a paycheck doesn't mean that they're not worth anything. In fact, they're worth a substantial amount.

So I always look at it as if I had a couple, A and B, and B is staying home and A is a powerful executive and they're out there working. If something happens to the stay at home spouse, if the kids are young the working spouse now either has to work less, has to hire someone, they can't work to the same extent that they used to.

So we really need to get life insurance to allow this person to work less or potentially take time off. And the only thing that's really going to allow that is money. And if you can't self-insure, that's where the insurance companies come in.

Now, thankfully, as you know, for the most part term life insurance is a pretty inexpensive proposition. And the premium rates for females based on age, assuming you have a male and a female and the age is the same, the premium rates for the female is going to be significantly less. So they can buy a lot more coverage for less money, assuming that they're approximately the same age and approximately the same health, qualifying for the same category.

Now, one negative, and I know you preach this, for females is if you're even thinking about becoming pregnant, you want to buy your life insurance before it ever happens. And it's not that we're going to charge you more because you're pregnant. We make certain assumptions as to a weight gain, as to how many pounds someone might gain during pregnancy. However, if you run into a situation where you're diagnosed with diabetes –

Bonnie: I was.

Larry: Gestational diabetes, that can become a significant issue. And suddenly you go from, if you qualified, potentially the best underwriting classification with the lowest premium rates, to now you're in, if the company offers it, the third best category, which is standard plus non tobacco. And if they don't offer that category, now you're in the standard non tobacco category.

And percentage wise, the difference from the first category to the fourth category is a doubling. And that's sticker shock.

Bonnie: Yeah.

Larry: You know, hey, and if I don't know and then someone says, oh, but I didn't tell you, I had gestational diabetes, that's why my rate is so much higher. And I'll know that after the fact. Had I known, I wouldn't have shown that person the best category. I would have shown them the third or the fourth best category to manage their expectations because no one likes to get a surprise like that. A pleasant surprise is okay, but not having to pay more as a result of it.

Bonnie: Yeah. So this is an interesting point, right? Because it's already something that people kind of put off, and then to have the foresight as a woman to be like, well, I do want a family someday, especially if she's single and not dating someone, so it's not on the immediate horizon. They're not thinking, I should get life insurance.

Larry: No.

Bonnie: Except for me, I got it before I even met someone, but I'm an unusual cookie, right?

Larry: Yes, absolutely. I mean, here's three times that I'll tell you that someone should absolutely have it. So number one is there's a family history. So there's a family history of diabetes, I don't have it, but maybe my siblings do or my parents do. If it hasn't hit me yet, I'd like to buy a policy before it hits me to lock into the lowest premium rate.

The second one is I have someone that I care about, that relies upon me. So if I'm working and I'm paying a mortgage, and my spouse is at home working and they're not deriving any income, well, yeah, I should have life insurance to take care of them to make sure they can make the mortgage payment because they probably can't do that on their own without me.

Another one is, if you're an entrepreneur, or you're a physician, or an attorney, or a dentist, and you're going to start your own practice and you're looking to get a loan from the bank, I will tell you no one thinks of this. As they went to the bank maybe they had a couple of competitive quotes.

And then lo and behold the bank says, we're ready to approve your loan and you're clear to close on such and such date. But by the way, Bonnie, before you do that, we need you to take out a life insurance policy that is going to be collaterally assigned to us. So in the event you pass away and you can't pay this back, we get our money back.

So what does that actually mean? Let's say my death benefit is a million dollars, the loan that I'm taking from the bank is 250,000. It just means the first 250,000 goes to the bank. The balance goes to my beneficiary. Now, as I pay off, that loan, less is going to the bank and more is going to my beneficiary. And ultimately when I pay the loan off, I should go back to the bank and have them sign a release to get rid of that collateral assignment because they are no longer owed anything.

Bonnie: That's such a good point. So are you saying that this is pretty typical of banks to ask for a life insurance policy?

Larry: Very typical.

Bonnie: I mean, it kind of makes sense.

Larry: It makes complete sense, especially among physicians and dentists. And a lot of the times but not all of the time, the same bank might ask for disability insurance where they are either the named beneficiary or, again, we're using a collateral assignment for some type of monthly benefit.

So if my monthly payment is $5,700, the bank will literally say, Bonnie, you have to have a disability insurance policy that's going to pay at least $5,700 either directly to us, or you can collaterally assign that to us.

Now, a trick here is you really don't want to use your personal individual disability insurance policy to assign that to the bank, because that's money out of your pocket. Ideally, that's money that is going to help you maintain your expenses, other than the loan, in the event you're disabled. So you can buy what's called a disability business overhead expense policy.

Bonnie: Oh yeah, I've heard this.

Larry: It's really if you're self employed or if you're in a small practice you would actually pay this through your practice, take an income tax deduction. Because you did that, when the benefits come in they would be taxable, but because you're using it to pay your business expenses, it's deductible again and the net result is a wash.

You can go one step further. You could say I'm only doing this to protect the bank so I can get the loan. I don't really care about the rest of my expenses. Certain policies you can buy a standalone business loan protection policy. As long as it's a minimum amount for a minimum term, it's pretty inexpensive.

So a very popular combination for someone taking out a loan in a professional capacity would be a term life insurance policy coupled with a business loan protection policy. But if I was doing real planning, I would say you should also do that, but now you should have your personal disability insurance policy, you should think about a business overhead expense policy for everything aside from the loan.

And then you can get a little bit more interesting. So let's say I was a plastic surgeon. And these days so much is driven by social media and I had a social media person in my office, they did everything for me. And I'm the surgeon, but they're getting me my patients. Well, if that person becomes disabled or dies, my influx or my funnel of new patients could stop pretty quickly.

When that happens, my income starts to go down. So I can literally buy a key person disability insurance policy to cover that individual, which would allow me time to find somebody else and not have a significant financial loss as a result of it. And the same thing is true, I can buy a life insurance policy.

Bonnie: Yeah, I probably learned this from you, Larry, this sounds familiar.

Larry: Yeah. There is key person disability insurance, key person life insurance, but again, that's going to be really more for your business person that has employees. A lot of cases, let's look at a life coach, let's look at a solo attorney, let's look at a physician that's doing locums. They are the business.

Now, they may or may not have expenses. If they have an office, obviously, they have expenses. If it's locums, most of that is going to be covered anyway. So now it's if something happens to me and I'm too sick or hurt to work, regardless of what you do, it sounds glamorous. I need an own occupation disability insurance policy that protects me if I can't do what I've been trained to do.

And that's the way it's always been marketed, primarily to physicians and dentists and attorneys. But at the end of the day, if you're working for the income, you're nothing more than a highly educated, maybe highly motivated money machine.

And if you don't have enough assets where you could say, I don't need to work anymore. I've hit financial independence. I'm good, I can self insure, you need to have some means of income coming in. And one of the most effective ways of doing this is buying disability insurance, right? So it's so simple, but it's so often overlooked.

Bonnie: Let's talk about, I know in the physician sort of sphere, disability insurance is talked about a lot. But I don't seem to hear about it in other careers.

So just to give you an example, Matt, he does get a certain amount of disability insurance through his job and he could have opted for more. We decided not to because I think it was actually, it may have been income replacement. I don't remember, but it was good enough that we felt like we didn't need more for him.

Larry: Yeah.

Bonnie: So why does it seem to be, I'm not even sure popular is the word, but why does it seem to be more talked about in certain professions versus the life coach industry, for example?

Larry: Yeah, I mean, it's almost like what I'll call the red pen theory, right? So if I called you when you were a PGY1 and I'm like, Bonnie, Larry Keller here, I'm not sure if you're aware but all the top dermatologists, they all use a red pen, and it happens to be with this specific company. It's not even on your mind. You're like, that's great. Go away, I have other things to do.

And then someone else calls you, maybe six months later, oh, Dr. Koo, I don't know, are you using the red pen? I've got to tell you, the top dermatologists, they all use that red pen. It's almost like a magnet for gaining patients. And you're like, no, I've got to tell you it's not really on my radar. Thanks for checking in.

By the time I call you again or someone else calls you again, you're like, oh, you're calling me about that red pen, right? I know, the top dermatologists, they all use that. That's like a magnet for patients, right? And now you're kind of preset for that message.

So why is it that we go after physicians and dentists and attorneys? And I'll emphasize physicians and dentists a lot more than attorneys. In theory you guys see bad stuff happen every day, right? You've got your emergency medicine physician, you've got your anesthesiologist, you've got your pain management physician, you've got your surgeon. They're all for the most part trying to solve problems.

So in a patient encounter, you know what to do. But by the same token, you almost have to disassociate your own mortality or morbidity from that. So in the back of your mind you're like, I see this every single day. The dentist, they're working in a really small area, they're bent over, they have shoulder problems, they have neck problems.

Now, again, like I said, the time that you finally know you need it, it's probably too late. And it doesn't mean you're uninsurable when the insurance company says, Bonnie, nice try, we don't want you. But there are something called exclusion riders where the insurance company says we're willing to insure you, but we're not going to insure something you have already.

So let's say you have a little numbness and tingling in your hands. And I get you a policy and I say to you, Bonnie, great news, the insurance company has approved you. We're going to cover you for everything except for your hands, wrists or forearms.

You're going to come back to me and you're going to be like, really? You know what I do for a living, right? I'm like, oh yeah, you're a dermatologist. You're like, yeah, I use my hands, wrists and forearms all the time. And I'm trying to understand this, but you're telling me if an accident or a sickness prevents me from using my hands, wrists or forearms, short of something like a trauma or a laceration, you're not going to pay me? I'm going to be like, no, you got that correct. Why would I ever buy that?

And I'd be like, well, Bonnie, if you look at the medical dictionary, pull out every page that talks about a hand, wrist or forearm condition, it's a bunch of pages. But look at what's left, that's a significant amount of pages. So I know you're not happy, no one likes to be told that they are not perfect.

If it's not a chronic condition, we might come back and tell you we're willing to reconsider and potentially remove the exclusion rider in the future if you remain asymptomatic and treatment free. But it's not, hey, I'm not going to take my policy because my hand, wrists and forearms aren't covered. You've got all these other things to worry about too.

Bonnie: Like TBIs, like brain injuries.

Larry: Yeah, that would be absolutely covered. A lot of things you'll find about would be like the back and the spine, right? So if I've got a disc herniation at L5, S1 and I did an MR. Now we're going to say it's something that's degenerative. Well, degenerative means we're never taking that exclusion rider off. And we tell you, again, laceration or fracture, you're okay.

Really, what's the alternative? There really isn't much. You either accept the risk and decline the policy, or you transfer the risk and you just know that what you had before you met the insurance company is likely not going to be covered.

So you see the physician, you see the dentist, the business owner, a lot of times they make even more money. They're entrepreneurial, but part of the way we as agents position the sale to the physician and the dentist and the attorney is, hey, this policy is own occupation.

If you're a trial lawyer and you can't work as a trial lawyer, you can work as an estate planning attorney. You can draft documents and you can review contracts, and we're going to pay you your full benefit because you can't do exactly what you were doing immediately prior to your disability due to an accident or sickness.

Entrepreneurs do so many different things, do they actually need the own occupation definition? And the answer is it depends upon how they feel. So there's a lot of policies, and I'll flip into the language here.

Bonnie: Also, we can talk about mine because, obviously, when I got it, it was for me being a dermatologist. And I no longer practice and I'm a life coach. I actually asked you recently, because my annual premium was coming up and every time I see that leave my bank account I'm like, ugh. It's $7,000 a year, my premium.

Why don't you tell the audience what you told me about keeping it versus getting rid of it?

Larry: Yeah, so the nice thing is once you are approved by the insurance company for a coverage amount, even if your income goes down due to a job change, the policy by itself is what's known as non cancelable and guaranteed renewable. They can't take it away, they can't change the premium rates.

You can get rid of them, they can't get rid of you. You can potentially make changes. You could extend the waiting period, which is the number of days that you need to be out of work, either totally or partially if you have that rider, before benefits become payable. You can reduce the benefit amount. You could potentially remove the cost of living adjustment rider which increases your benefit after disability has lasted for a year, if you have that.

But a key takeaway is that the definition of total disability is always based on the duties you are performing, not your job title, immediately prior to your disability. So if you said, hey, I bought this when I was Bonnie Koo dermatologist, had you become disabled at the time you were performing the duties of a dermatologist, full benefits would be payable.

If you then decided to become a life coach, full benefits would continue to get paid plus whatever you earn as a life coach because that was not an occupation that you had at the time of claim.

Then we look at it and we say, well, what if I have more than one job? I am a life coach, but at the same time I am a dermatologist and maybe in my mind I want to transition out of dermatology and solely work as a life coach. Then what happens? Well, now you want to have a partial or residual disability benefit, which takes away the all or nothing.

And typically, what we would say is, well, Bonnie, we get it. You had two different jobs, one was a clinician doing dermatology and dermatologic surgery. One was really working as an executive and a life coach. And if you're disabled and you can't do job A, but you can still do job B, now we say, well, what percentage of your income have you lost? We're going to pay you benefits proportionate to your loss of income.

And there's some general rules like, hey, as long as you lost 15 or 20% or more compared to your pre disability income, that's the threshold. And again, it's got to be due to an accident or a sickness, not that I just feel like I'm changing my job duties around. We'll tell you, we guarantee we're not going to give you less than half of your benefit for the first six or the first 12 months of a claim.

If you lose more, we'll give you more. And if you lose so much, more than 75% or 80%, we'll give you everything for that month, because really how much are you doing if you've lost that much?

Now, for your clinician audience, which will be MDs or DOs, Berkshire, which is a guardian company, about five years ago they introduced a unique definition. And they call this the enhanced medical specialty definition.

So let's go back to our same example. I'm Dr. Bonnie Koo dermatologist, but at the same time I'm Dr. Bonnie Koo life coach. And you're disabled at a point where more than 50% of your income is derived from hands-on patient care, where you're interfacing with a patient to diagnose and treat them.

Well, initially, we would say, well, she's got two jobs. She can't do one, she can still do the other. She's not totally disabled, she's partially disabled. But with this definition, Guardian says wait a second, we're going to take a step back. If more than 50% of her income was derived from hands-on patient care prior to her disability, we're going to deem her totally disabled, pay her her full benefit because she can no longer do hands-on patient care.

Now you can balloon up your life coach practice, even to the point that you no longer have a loss of income. And rather than getting a partial benefit, Guardian would give you your full benefit.

The same thing is true of a surgeon. So we would say, hey, you know what? You've got surgical duties, you may do chart reviews, but if at the time of disability more than 50% of your income was derived from invasive or surgical procedures, and typically invasive or surgical procedures involves making an incision that's routinely done by you, typically involves anesthesia and respiratory assistance, and you can no longer do those procedures, we'll call you totally disabled and you'll get your full benefit.

So a good example might be, yeah, let's go for it. An orthopedic surgeon that also has a large IME practice. And it happens to be more than 50% of their income.

Bonnie: What's IME?

Larry: Independent medical exams. So they're just doing exams for insurance companies, checking out the patient and writing up their findings. But it's not doing surgery. And something happens to them and maybe they are now diagnosed with an essential tremor. They can't do surgery anymore. If they had two jobs, that of a surgeon and that of an IME physician, we would say, you had two jobs, you can't do the surgery, we'll pay you partial benefits.

But under Guardian's definition they would say, hey, if more than 50% of your income was derived from invasive or surgical procedures, you could still do the IME work, you can do that 100% of the time now, and we'll still give you your full disability insurance benefit rather than a total benefit.

Bonnie: Okay. Just using me as an example. So I have a policy through Principal, if I can't work as a dermatologist I will get my full benefit, even if I am a successful life coach and able to make money?

Larry: Correct.

Bonnie: So I'll still get my full benefit with my current own occupation. And it sounds like there are different nuances in terms of what policies will pay you based on the type of insurance. I'm not going to summarize everything we just talked about.

Larry: Yes.

Bonnie: Now, let's talk about my case right now, because I haven't practiced medicine in, oh my god, it's going to be three years soon. I stopped during the pandemic, which was early 2020. I didn't realize it was that long. And I am 100% a life coach/entrepreneur. So what does my insurance cover now?

Larry: Now you're going to be covered as a life coach and entrepreneur. So the insurance company is always going to say it doesn't matter what you were doing when you bought it, we use that to determine your occupational classification, which impacts your premium rates. But the definition of total disability is always based on what you were doing immediately prior to your disability.

So let's say, we'll go out on a limb, you bought this when you were a dermatologist, that's all that you were doing. You're not disabled, but you say, you know what, I'm done with dermatology. I want to become a professional chef. I'm going to be the next Giada. And we would never insure you as a professional chef.

Bonnie: Really? Why?

Larry: No guaranteed salary.

Bonnie: Oh, I see, I see.

Larry: You're playing with knives. But because you bought your policy as a dermatologist, you keep all the same terms, you keep the same benefits, you're still in your own occupation.

Now, if you're disabled, and you can't work as a professional chef, assuming that's what you were doing immediately prior to your disability, full benefits. If you could somehow go back to clinical dermatology, that income would not be used to reduce your benefit in any way, shape, or form.

Bonnie: I'm just guessing insurance policies had these things in place because most physicians probably didn't change their occupation, right?

Larry: No, most did not. So let's say you were a straight up entrepreneur. And you said I know that I need disability insurance, but I don't really have any special physical skills. I've got mental skills, but my job is pretty basic. I meet with people and I talk. And if I can't do that, really, what else am I going to be able to do?

So you can elect a lesser definition. So own occupation will read something like this, you'll be deemed totally disabled if you're unable to perform the material and substantial duties of your occupation. And the material substantial duties are just the things that you do day in and day out that really can't be taken out of your occupation.

Bonnie: Like me talking. If I can't talk, I can't coach.

Larry: Yeah, if you can't talk, you're done. In fact, there's another provision that says if you lose your ability to speak, you're done. And if you can't get that back, we usually say loss of sight in both eyes, hearing in both ears, arm and a leg, both arms, both legs, one hand and one foot, we're going to presume that you're disabled and it doesn't matter what else you do.

If you can be a life coach typing stuff out on a computer and never speaking and making more money because people feel bad for you, it doesn't matter, full benefits are going to be payable. So the first one is the own occupation, one that says if you can't do the material and substantial duties of your occupation period, you're totally disabled, full benefits.

Bonnie: How are they determining what the material and substantial, because I feel like for medicine it's probably pretty outlined. But are they going to know what the material and substantial duties of a life coach/entrepreneur are?

Larry: You're going to tell them that.

Bonnie: But why would they just believe what I say? I'm just curious.

Larry: Yeah, well, you're going to have your billing for your clients. So you're going to show them that and you're going to say, hey, my typical day is I get up at whatever, on a good day I go to the gym. I hit my computer, 7:30 or 8:00 I start responding to emails. I've got group coaching. I've got individual coaching. And now if you look at my schedule, I have this accident or sickness, I'm under the care of a physician, my physician and I have had a discussion of what I can or what I cannot do.

If I can still work in a similar capacity but I have to reduce my hours and now I'm coaching fewer people, that means I'm going to bill less. That means my income is going to go down. Maybe I'm not totally disabled, because I'm doing some but not all of my job duties. Or I could do them all, I just can't do it for the same number of hours.

So that's where that residual or the partial disability benefit comes in. So if you look at it as an entrepreneur, you might say I don't really need an own occupation policy that's going to allow me to be disabled as a life coach and go do something else. That's probably not going to happen. I don't want to pay for that.

So you might opt for a lesser definition that we call a modified own occupation, or it's also known as a loss of earnings policy. The only difference is it'll say, Bonnie, we'll call you totally disabled if you're unable to perform the material and substantial duties of your occupation and you are not gainfully employed.

So if you can't work as a life coach and you choose not to do anything else, now you're not gainfully employed, you get everything. If you choose to work and you say, well, I can't be a life coach for whatever reason, and this is substantiated in my medical records, but I'm going to do something else, now you are actively employed. If your policy doesn't have a residual or partial benefit to make up for loss of income, you would literally get no benefits at all.

So the best type of policy is going to have an own occupation definition that allows you to work in another occupation and still get your full benefit. Or if you're an entrepreneur and you say, I just don't need that, my job is pretty basic, then you want to make sure that your policy has a loss of earnings definition that's going to cover you if you choose not to work and you can't do what you were doing. And it'll pay you benefits proportionate to your loss if you return to work in your job or in another job at a lesser capacity.

Now, a big one and, again, this is getting into the weeds. But entrepreneurs don't think about this. So let's say you were out of work for a year. Couldn't work as a life coach, you really couldn't do much at all. Well, these people are probably going to go to someone else.

And they're going to say, Bonnie, I love you but there's no way I'm taking a hiatus for a year, and I don't even know if you're ever going to come back. In the meantime, you've been so great and my coaching experience has had such a positive impact on my life, I've got to go find someone else.

So they do that. Thankfully, you recover. You come back to your practice, I mean, it's just you. You send out an email and letters to your coaching clients about your triumphant return. You're thrilled about this. And you don't get a lot of response. So then you send up a follow-up email, hey, I just want to let you know I'm back. When can we schedule your session?

And now they know that you're following up so they say, I guess I've got to tell her something. Bonnie, thanks so much. You're awesome. My life changed so much as a result of you being my coach, but in the interim I've met someone else. And now your heart sinks.

Bonnie: I've met someone else, it just sounds funny.

Larry: And you're like, you know what? It's going to take me time to go get new clients. So I'm not sick physically. In fact, my doctor says I can work as many hours as I want, I can do everything I used to do. I just don't have any money because my former coaching clients have all left.

And, in fact, even referrals that I was getting from my existing clients and my other centers of influence that were giving me clients, that's all kind of dried up. So I'm about as well rested as I've been. I feel fantastic. I'm making no money.

Well, ideally, your policy should have a recovery benefit. Very often this is built into the residual rider and it says if you were totally disabled and now you're going back to work and you are experiencing a loss of income due to your prior disability, we are going to continue to pay you proportionately the same way we did when you were working on a limited basis.

And I see a lot of people will miss that in their policies, especially if it's something that's optional. So a great example is specific to Principal, and they're going to be changing their policy next year.

But specific to Principal in the state of California you can buy a recovery benefit, it's an option. The longest recovery benefit is three years. If you're like, hey, you know what? Three years isn't going to cut it, if I go down at my prime it could take me 10 years to get back to the income level I was at before, then I would say don't buy that policy. Look for one that's got an unlimited recovery benefit. So there's definitely some nuances.

Bonnie: Basically they should call you and talk about their situation with you.

Larry: They should call someone.

Bonnie: There's just so many nuances. I know the basic ones that everyone should basically have. I think this is such a great discussion. I know sometimes it can be dry if this is new to everyone. But now that I've been a coach for a while, and solely a coach, a lot of my friends are entrepreneurs and coaches.

Some of them actually are physicians who became coaches, and I don't even know if they had a policy in place before. But they don't think about this. And no one thinks they're going to become disabled. Now, we talked about earlier how life insurance is less expensive for women, but disability insurance, it flips.

Larry: Yes.

Bonnie: So that's an important point.

Larry: There is a potential workaround to this. And this is what's known as a gender neutral or a unisex rate structure. Now, it doesn't mean you have to identify differently than what you are. I had a conversation and the person said, but this is what I am. I'm like, this is the rate structure. We're still saying that you are your gender, it doesn't matter.

And what this is, it's kind of a hybrid rate between the male and the female.

Bonnie: I think that's what I got. I think I had the unisex policy.

Larry: Yes, that's exactly what you've got. And typically it's the result of an employer/employee relationship. And it doesn't mean you're in a big practice. So currently, some of the companies, let's just take a very small law firm, you have one female attorney and you've got one paralegal, and you've got two people just in the office doing general administrative duties.

Well, I might say to the attorney, look, if you buy a policy for yourself, it's going to be X dollars. But if you buy a policy for yourself and two other employees that work for your practice, not as independent contractors, they're W2 employees, and you can offer it to them, or you can pay for it for them. And it's probably better if you pay for it for them.

Your policy can be what I'll call the real policy, maximum benefits, benefits to age 65. And for the other people, currently, it says the premium prior to a discount only needs to be $200 annually.

So here you are, I'll make it up, your premium is a couple thousands dollars a year, and now you can buy two policies for two out of your three employees. If you want you can do all three, and it's $200 a year. You're going to pay it through your business, at least there, so that's going to be income tax deductible. And now your premium goes down by 40 to 50%.

I would take that deal all day, every single day. If the employees leave, you don't have to continue their policies. You can say to them, hey, if you want, I was paying for this policy for you. If you want to continue it, you can. If you don't want to, you don't have to. You still retain your unisex rate and your discount.

Now for physicians, they don't really do that so much anymore. But for entrepreneurs and attorneys and executives that's available. You might also find I'm in a big company and if I work for a very large company and it's not medical, you could probably get a unisex rate there as well. And it might even exist and you don't even need to do anything to do it.

So, like you said, what does this all mean? It doesn't mean anyone has to work with me, it just means find someone that's qualified that does this every single day because I can tell you if a discount exists, I will find it. If there is a way to make a discount to reduce costs, I will find it.

Unlike medicine, unlike coaching, where you can charge different amounts based on your experience and people are either going to pay it or they're not going to pay it. And someone might say to you, well, Dr. Koo, your rates are really high. And you could say, I'm a certified life coach for physicians and I'm a physician myself. Yeah, my rates are high because I'm really good at what I do and I know exactly what you're going through.

In my world, there is no difference in the cost of a policy if you go to a newly minted insurance agent or an experienced insurance agent. The rates are the rates. Other than that, the only way one person can beat somebody out is to either know of or have access to a discount that the other person doesn't. Otherwise, if we quote the policy the same way with the same discounts or no discount, the premium rate is going to be the same.

It's kind of like the iPhone, it is what it is. So I look at it as like, well, why would I go to someone that's inexperienced, when I can go to someone that is experienced and it's not going to cost me any more. And my overall experience as a potential client is probably going to be a lot better. And it's not that they don't know what they're doing, but whether it's medicine or coaching, the one thing that can't be replicated is experience.

Bonnie: 100%. All right, so I know we covered a lot. So for those of you listening, in case you're like, this all sounds like stuff I need. I have no idea what Larry just said, which is totally fine.

Larry: Totally fine.

Larry: Larry, how can people reach you?

Larry: So you can always email me. I will tell you, if I am awake I will probably respond to you within a couple of minutes.

Bonnie: This is true, by the way.

Larry: Yeah, unless you're emailing me at like three o'clock in the morning and I'm fast asleep. So it's L Keller, L-K-E-L-L-E-R, @physician, no S on the end, financialservices.com. I am absolutely keenly aware that not all of my clients need to be physicians. The planning is the same, the process is the same. You can always call 516-677-6211.

If you've received quotes and you're trying to figure out, is what I'm getting what I should be buying? Are there ways I can tweak the quote to better meet my individual needs and goals and budget? Just use me as a resource. That's what I'm here for. Thankfully, when you're in the industry for a long time, it's different than being a hand surgeon when you start, right?

When you're a hand surgeon in the beginning of your career, it's anything you can get your hands on. And then as time goes on, you're like, I'm not good at that, I'm excellent at this. This is what I like, this is what I'm good at, this is where I'm going to use my efforts and my talents.

Bonnie: Perfect. And then we'll have your information in the show notes. Click on the link in the podcast and it'll go to my website and the information will all be there. So I think it's just important to note that they don't have to be a physician to work with you. So my entrepreneur friends can call you and you can help them.

Larry: Yes, I absolutely can help the entrepreneur friends. They'll be looking for, for the most part, same things, same discounts, same process, no problem at all.

Bonnie: Yeah, a lot of my entrepreneur friends do have employees, so I think that, I don't want to call it group, but basically some kind of group discount is going to be available to them.

Larry: Yeah, the technical term is we'll go multi-life.

Bonnie: Multi-life, I know there's so many terms here.

Larry: Yeah.

Bonnie: Okay, is there anything that we haven't talked about that you think they need to know?

Larry: I would say, this is on the physician side, self-prescribing is not good. Prescribing for your spouse is not good. Part of the underwriting process is answering medical questions, and behind the scenes the insurance companies do a prescription drug check.

Bonnie: I was shocked at how much they knew about me. They were like, why don't you take Cipro and blah, blah, blah? I'm like, I don't remember. And then I remember on one of my annual physicals they noted a mole. And they didn't say anything was wrong about it but they were like there was a mole, you need to go to a dermatologist and get a skin check.

And being Korean and my risk of skin cancer is extremely low, especially since I didn't grow up as a farmer or surfer being in the sun all day. So I just thought it was hysterical, but at least I was a dermatologist so it was very easy to get that done during my office hours.

But yeah, they really sift through your history with a fine tooth comb.

Larry: Yes. So we do our prescription drug check, that's routine. We will routinely request medical records. If your physician or practitioner tells you that you need to get something done and you don't get it done, we're going to want to make sure that that is done before we'll consider you for insurance. If you were recommended to get a colonoscopy and you just haven't gotten around to it, we're going to want to make sure that you do get the colonoscopy and we see those results.

If you plan on taking up any hazardous activities, so I would say deep scuba diving, jumping out of planes, rock climbing, mountain climbing, racing motocross on a track, you want to make sure that you buy your policy before you partake, or almost think about partaking in any of these things.

Because once you have your policy, again, I'll use the technical term, it's non cancelable, guaranteed renewable. We can't take it away. We can't make any changes. You can get rid of us, we can't get rid of you.

So you want to make sure that once you have your policy, you can increase your benefit, that's going to be contractual, as your income rises, if you qualify to have an increase option rider on there. But don't give the insurance companies a reason to put on exclusion riders or limit coverage if you do not have to.

And here's another big one. Someone is in the middle of underwriting, so what does this mean? They applied for their disability insurance, they applied for their life insurance, everything is moving along. We're doing the prescription drug check, we're getting medical records. And lo and behold, in the middle of this process someone decides to go get a sleep study. Well, no good can come of that.

If you're diagnosed with obstructive sleep apnea and you're given a CPAP prescription, we're not going to insure you anytime soon. So make sure that you kind of have your house in order before you start seeking out help, or I was just curious, I'm going to go see someone. Just make sure that once that process starts, let things simmer down, get your approval, put your policy in effect and then you can go seek physicians out.

Bonnie: And go skydiving or rock climbing.

Larry: Yeah, do all that stuff. Because they'll ask you if you intend to do it, so, obviously, you want to be truthful on your application. But if you have no intention of doing it and five years later you wake up and you're like you know what would be pretty cool? I'm turning X number of years old and I'd like to jump out of a plane. Maybe I'll survive, maybe I won't, but I'll give it a shot. That's okay, at least you have your policy locked in.

Bonnie: That's hysterical. I have gone skydiving once. And I actually think, I don't remember, I feel like they asked me that. And I did say I did and then they were like, do you ever intend to do it again? I was like, absolutely not. I don't remember, it's been so long ago it's vague.

Larry: Yeah, then you're okay. If you told them I plan on doing it March 15th for the Ides of March celebration and you're applying in January, they're either going to exclude for that or they might even tell you we're going to wait and you can apply after you do that.

With disability, if it's something they can exclude for, they'll do it. Then once you do it, you survive, you tell them you're not doing it again and they would potentially remove that exclusion rider.

Bonnie: That's funny. All right, so I think what I really want to sum up here is if you're a woman, get life insurance if you're thinking about getting pregnant. So I remember I got a million dollars before I even had a partner. And then once I did and knew that I wanted to become pregnant, I got another million, I forget exactly what I got. And thank God I did because I did develop gestational diabetes.

Larry: Yeah, so now your rates are looking stellar. Like you got a sale price. It is a big, big difference. And then disability insurance, again, buy it before you become pregnant because if you buy it when you are pregnant, we'll insure you, but we're not going to cover pregnancy or complications of pregnancy.

If you have no complications and you deliver and then you go back to work, the companies vary here, 30 days or 90 days or more with no restrictions, then we'll remove that exclusion rider for future pregnancies. But, again, if you don't have to have the exclusion rider, it's better to not have it at all rather than having it and trying to remove it. Not that having it and removing it is a difficult process, but why have to go through more work?

Bonnie: Exactly. And then one thing I wanted to iterate in case people don't know is that the younger you are, the cheaper these policies are. So basically, don't wait until – Well just don't wait because you are the youngest you're going to be today.

Larry: The youngest and the healthiest you're going to be. I mean, when someone calls me and they're my age and they've been a physician for a very long time, I almost say, where have you been all my life? You almost have to go out of your way to avoid people like me to not have coverage by the time you're in your mid 40s or early 50s. And physicians and dentists, you guys are marketed to so early in your careers that I can tell you it all goes back to by the time you know you need it, it's probably too late.

I've had three surgeons recently, a little bit younger than me, that reached out, none of them are insurable. One was an issue with Covid and continued fatigue. Another one has positive markers for arthritis. So do your homework, no one's going to force you to do anything. Do your homework, get your quotes, figure out what you want or need. And then from there, you decide how you want to move forward.

And anything, whether it's disability insurance or life insurance, to a certain extent, is customizable based on your individual needs and goals and budget and your philosophy.

Bonnie: Awesome. Well, thanks so much for being here and being an incredible resource. Again, we'll link in the show notes how people can reach out to you if they want to have a conversation or want their policy that they're about to get reviewed to get an expert set of eyes, because Larry has been in this industry for quite a few decades.

Larry: Yeah, 32 years, right out of college. So, in my mind I'm still young, maybe some days not so much when I look in the mirror. But yeah, thankfully I started early, so I'm still young with a lot of experience behind me.

Bonnie: Yeah. All right, well thank you so much for your time.

Larry: Thank you for your time, as usual. Enjoy the afternoon and we will chat again.

Bonnie: Yeah.

All right, due to some legal stuff I have to read you some disclosures for Lawrence Keller, you totally can just skip over this but legally I have to say these things. Okay, this material is intended for general public use. By providing this content Park Avenue Securities LLC and your financial representative are not undertaking to provide investment advice or make a recommendation for a specific individual or situation or to otherwise act in a fiduciary capacity.

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178: Insurance: What Physicians and Entrepreneurs Need to Know with Larry Keller

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