



Matt Samson
President & Financial Advisor
Business Phone/Text
402.204.0230
Cell Phone
402.980.5183
Matt.Samson@ilsfinancial.com

Case Study: Veteran Business Owners and the Risk of an Untimely Exit

Executive Summary

Military retirement pay and VA disability compensation provide meaningful personal financial stability for many veteran business owners. These earned benefits can reduce baseline household risk and create confidence when transitioning from military service into entrepreneurship.

However, personal benefits, likely, do not eliminate business risk. They do not guarantee enterprise continuity, protect ownership value, or create liquidity in the event of disability, death, or forced separation from the business.

This case study examines four veteran business owners with different structures of service history, ownership, and risk exposure. Each profile illustrates how risk is shaped not by income alone, but by structure.

Scenario 1: Mark R. – The Active-Duty Retiree and Equal Partner

Profile

- Age: 47
- Military Background: Retired U.S. Marine Corps Lieutenant Colonel (O-5), 22 years of service
- Military Pension: ~\$62,000 annually (taxable as ordinary income)
- VA Disability Rating: 60%
- VA Disability Compensation: ~\$18,000 annually (federally tax-free)
- Business: Commercial construction subcontractor
- Ownership: 50/50 partnership
- Annual Revenue: ~\$4.2 million

© 2026 ILS Financial, LLC. All rights reserved.

This document may not be reproduced or distributed without permission.

Investment advice offered through ILS Financial LLC, a Nebraska registered investment advisor.

- Net Owner Compensation: ~\$380,000 annually
- Employees: 22

Military retirement pay is taxable at the federal level (Department of Defense, 2023). VA disability compensation is excluded from gross income for federal tax purposes (U.S. Department of Veterans Affairs, 2024).

Mark's combined government-derived income is approximately \$80,000 annually, though only \$62,000 is taxable.

Disruption Scenario

At age 48, Mark experiences a serious cardiac event. He survives but is medically restricted from high-stress work and sustained operational oversight.

What Continues to Function

- Pension income continues
- VA disability compensation continues
- Healthcare remains stable
- Core household expenses can be supported with lifestyle adjustments

Where Risk Emerges

- No formal buy-sell agreement
- No disability-triggered exit provision
- No funding mechanism for ownership transfer
- Revenue highly dependent on Mark's relationships
- Enterprise value declines during instability

Although household baseline income is protected, business value becomes fragile.

Scenario 2: David L. – The Reservist Entrepreneur

Profile

- Age: 44
- Military Background: Army Reserve Lieutenant Colonel (O-5), 20 qualifying years
- Eligible for non-regular retirement beginning at age 60
- No current VA disability rating
- No current pension income
- Business: Government contracting advisory firm
- Revenue: ~\$1.8 million
- Net Owner Income: ~\$420,000 annually
- Employees: 6

Reserve retirement pay begins at age 60 (or earlier if qualifying active service applies) and is taxable when received (Department of Defense, 2023).

Until that point, David has:

- No pension income
- No retiree healthcare
- No VA disability income

Disruption Scenario

David develops a progressive neurological condition limiting sustained cognitive performance.

What Happens

- Revenue declines within 60–90 days
- Clients transition elsewhere
- Employees begin to exit
- Enterprise value collapses

Unlike Mark, David has no immediate pension or VA compensation to stabilize income.

The existence of a future pension does not offset present-day business fragility.

© 2026 ILS Financial, LLC. All rights reserved.

This document may not be reproduced or distributed without permission.

Investment advice offered through ILS Financial LLC, a Nebraska registered investment advisor.

Scenario 3: Angela T. – Minority Owner with Unequal Control

Profile

- Age: 52
- Military Background: Retired Air Force Lieutenant Colonel (O-5), 22 years
- Military Pension: ~\$58,000 annually (taxable)
- VA Disability Rating: 80%
- VA Disability Compensation: ~\$26,000 annually (tax-free)
- Business: Regional logistics company
- Ownership: 30% Angela, 70% majority partner
- Revenue: ~\$9 million

Combined government-derived income: ~\$84,000 annually.

Disruption Scenario

Angela sustains a permanent injury limiting travel and oversight capability.

What Happens

- The business continues operating
- Majority partner assumes expanded authority
- Profit distributions are reduced
- Angela cannot compel a buyout
- Her ownership becomes illiquid

Government benefits stabilize household income, but minority ownership without exit provisions creates structural vulnerability.

Scenario 4: Michael S. – The Leveraged Majority Owner

Profile

- Age: 49
- Military Background: Retired Navy Captain
- Military Pension: ~\$65,000 annually (taxable)
- VA Disability Rating: 50%
- VA Disability Compensation: ~\$15,000 annually (tax-free)
- Business: Manufacturing company
- Revenue: ~\$12 million
- Personally guaranteed ~\$3.5 million in business debt

Disruption Scenario

Michael dies unexpectedly.

What Happens

- Pension ceases unless Survivor Benefit Plan was elected
- VA disability compensation ceases
- Personal guarantees transfer to the estate
- Lenders reassess credit exposure
- Enterprise value declines during transition

Personal guarantees and leverage amplify risk concentration.

Even profitable businesses can experience rapid valuation compression without funded ownership transition planning.

Comparative Structural Differences

Owner	Immediate Pension?	VA Disability?	Ownership Control	Leverage Exposure	Household Stability
Mark	Yes	Yes	Equal	Moderate	Moderate
David	No (delayed)	No	Sole	Low	Low
Angela	Yes	Yes	Minority	Low	Moderate
Michael	Yes	Yes	Majority	High	Moderate

Disability is statistically more common than premature death during working years (Social Security Administration, 2023). Founder or key-executive dependency is a recognized driver of value concentration risk in closely held businesses (Damodaran, 2012). Succession planning gaps remain prevalent among private firms (PwC, 2022).

Conclusion

Across these four cases:

1. Military benefits stabilize households, not enterprises.
2. Ownership structure materially affects risk.
3. Leverage increases fragility.
4. Minority ownership without defined exit rights creates illiquidity risk.
5. Delayed Reserve pensions do not mitigate present risk.

The structure of income matters. The timing of income matters. Control matters.

Untimely exits are rarely clean or binary. They are often partial, prolonged, and disruptive.

Veteran business owners who integrate earned personal benefits with deliberate business continuity and succession planning are not pessimistic. They are aligning preparation with ownership reality.

Educational Disclosure

This material is provided for general educational and informational purposes only and is not intended as investment advice, legal advice, tax advice, or a recommendation of any specific financial, insurance, or legal strategy. The scenarios described are hypothetical and for illustrative purposes only; they do not reflect any actual client and are not guarantees of outcomes.

Individuals should consult with appropriately licensed financial, legal, tax, and insurance professionals regarding their specific circumstances.

This material does not constitute an offer to buy or sell securities or insurance products and should not be relied upon as a primary basis for financial decision-making.

References

American Bar Association. (2016). Business succession planning fundamentals.
https://www.americanbar.org/groups/business_law/resources/business-law-today/2016-january/business-succession-planning/

Damodaran, A. (2012). Investment valuation: Tools and techniques for determining the value of any asset (3rd ed.). Wiley.

Department of Defense. (2023). Military retirement pay.
<https://militarypay.defense.gov/Pay/Retirement/>

Harvard Business Review. (2021). Why succession planning fails in small businesses.
<https://hbr.org/2021/03/why-succession-planning-fails>

Internal Revenue Service. (2022). Buy-sell agreements and valuation considerations.
<https://www.irs.gov/businesses/small-businesses-self-employed/buy-sell-agreements>

PwC. (2022). Global family business survey: Succession and continuity.
<https://www.pwc.com/gx/en/services/family-business/family-business-survey.html>

Small Business Administration, Office of Advocacy. (2022). Facts about veteran-owned businesses.
<https://advocacy.sba.gov/2022/11/10/facts-about-veteran-owned-businesses/>

Social Security Administration. (2023). Disability facts.
<https://www.ssa.gov/disabilityfacts/>

© 2026 ILS Financial, LLC. All rights reserved.

This document may not be reproduced or distributed without permission.

Investment advice offered through ILS Financial LLC, a Nebraska registered investment advisor.

U.S. Department of Veterans Affairs. (2024). VA disability compensation rates.
<https://www.va.gov/disability/compensation-rates/>