

Disability Planning

Definition of “Disability”

When evaluating a disability policy, it is important to understand how the insurer defines “disability.” Some policies consider the individual disabled if he or she is not able to perform the duties of the occupation for which he or she is suited by education, training, or experience. Other policies define “disability” as the inability to perform the duties of any occupation. In addition, there could be exclusions for certain types of disabilities or limitations on the benefit period.

Importance of protecting your income

The sudden inability to earn an income due to disability can have a devastating financial impact on you and your family if you are not prepared. Many people underestimate the possibility of becoming disabled during their working years. Here are a few facts to put things in perspective.

- One in four of today’s 20-year-olds will become disabled before they retire.¹
- 56 million Americans live with disabilities, but only about 9 million are receiving disability benefits from Social Security.¹

Alternate sources of income during disability

- Social Security disability
- Borrow funds
- Liquidate savings/investment assets
- Disability insurance (employer or individual)

Each of these alternate income sources has an inherent downside. Generally speaking, the government’s strict definition of “disability” may make it difficult to qualify for Social Security disability benefits. Social Security defines disability as having a medical condition that has prevented you from working or is expected to prevent you from working for at least 12 months or end in death. If you are eligible for a government benefit, the benefit amount is limited and may not meet your needs by itself.

Also, without a defined source of income, borrowing funds may not be available as an option. Liquidating savings and investment assets to provide current income may require you to utilize assets in the present that you will need in the future for your retirement. Private and/or employer-paid insurance may be the best source.

¹ Source: U.S. Social Security Administration Fact Sheet, 2018

Acquiring private disability insurance

If you rely on earned income as your primary income source, it is crucial to have a plan to replace that income in the event of a disabling injury. Therefore, we recommend that you evaluate disability insurance in order to provide this protection for you and your family. You may purchase this coverage through an employer-sponsored program or from your Financial Advisor.

Assuming, for example, that a married couple currently earns \$200,000 and \$65,000 respectively, the income replacement monthly need is shown below:

	Client 1	Client 2
Current Annual Salary	\$200,000	\$65,000
60% Monthly Income Replacement	\$10,000	\$3,250
50% Monthly Income Replacement	\$8,333	\$2,708

Note: Most policies limit the monthly benefit to roughly 50-60% of the insured's earned income.

Request a personal consultation

Talk with your Financial Advisor about planning for protecting your income. Your Financial Advisor will work with the professionals at our corporate office to assess your situation and provide solutions for you to consider in reaching your desired goals.

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