


## How Long Could You Afford To Live Without A Paycheck?

*Advantages of having a disability income protection*

 By Larry Hazzard



People rely on their income to fund the everyday aspects of their life, from paying the mortgage and other bills, to going out to dinner, to paying for a family vacation. No one expects a catastrophe to occur, and they certainly don't want to worry about how they'd continue supporting their family and paying their bills without an income. However, millions of Americans face this problem every year when they are suddenly unable to work due to illness or injury. A staggering one in four of today's 20-year-olds will become disabled before retiring<sup>1</sup>. But what happens far too often is that when faced with a disability, people panic because they know they will struggle to support themselves. Disability insurance offers the security and protection of knowing exactly where an income will come from and that when a disability occurs, income replacement can help keep their plans in motion and moving in right direction.

## ➤ How Long Could You Afford To Live Without A Paycheck?

If a person had a stroke today that prevented them from working for the next year, the likelihood they would be able to cover their monthly expenses and still support their family is less than 50 percent. According to the [FINRA's National Financial Capability Study](#) 56 percent of individuals in the U.S. lack emergency funds to cover expenses for three months. Even more concerning, a survey of [Household Economics and Decision Making](#), by the Federal Reserve in 2014, found the 47 percent of Americans could not cover an emergency expense costing \$400. Yet only 33 percent of Americans have long-term disability insurance and only 39 percent have short-term insurance<sup>3</sup>.

One of the best, most reliable ways for individuals to protect their income before they are disabled and unable to work is to obtain individually owned disability income insurance. Some employers offer group disability coverage that is a good foundation, but it's typically not owned by the employee or custom to their income needs. This can leave many employees still unprotected. A good solution is to assist employees in obtaining an individual DI policy that stays with them throughout periods of transition between benefits coverage or workplaces, or makes up the difference of the employers group disability coverage which may not provide enough coverage to maintain the employee's lifestyle.

A common misconception about disability income insurance is that its sole purpose is to cover against catastrophic injuries resulting from an accident. The fact is the majority of disabilities aren't caused by accidents, instead they're caused by illnesses such as cancer, depression, multiple sclerosis, or a debilitating heart attack or stroke.

- 90 percent of disabilities are caused by illness<sup>2</sup>
- 10 percent of disabilities are due to injuries<sup>2</sup>
- 1 in 4 of today's 20-year-olds will become disabled before retiring<sup>1</sup>

Individual disability income insurance is designed to protect an individual's income if they cannot work due to an illness or injury. For most of your employees, their family relies on their income, and if adequate income coverage isn't provided through their employer, many will be faced with financial hardships. It's smart financial planning to provide access or educate employees about individual disability insurance policy.

Employees in their 20s, 30s and 40s may think it's too soon to start thinking about disability insurance, they may believe they're too young to be afflicted with an illness or to be injured. They're not. HR professionals should open this conversation with them and share why it's best to obtain coverage early rather than waiting for an illness or injury to occur. It's certainly in the best interest of their employees' long term security for a number of reasons:

- **Applying while Healthy:** They'll get the most favorable terms by buying disability insurance before they need it. Once they're too sick or injured to work, they often won't be able to get the protection they need at an affordable price.

- **Locking in the Cost:** Assuming they have a non-cancellable and guaranteed renewable policy, the amount they pay each month is guaranteed, and the insurance company can never cancel their coverage as long as the payments are made on time. Employees can determine how much their policy would cost by clicking [here](#).

- **Securing Coverage While on the Path to their Career:** If they're studying to become a professional such as a doctor, dentist, or a lawyer, they can apply for insurance before graduation with options to increase coverage as their income grows. Individuals in these professions often have a stack of student loans and a higher cost of living they need to protect.

- **Customizing Coverage:** Select options to customize protection. There are options that allow increased coverage as an individual's income grows to help keep pace with the cost of living. There is also coverage that helps replace retirement plan contributions or protects the ability to repay student loans during a period that someone can't work due to sickness or injury.

- **Portability:** When transitioning between jobs, individuals may have to go a few months without benefits coverage. Owning their own policy ensures they have coverage at all times, no matter who they work for or where they work.

Another benefit of having disability income protection is that the money can be used towards anything, the mortgage, gas, medical bills, groceries, even a vacation. Disability income replacement sends money directly to the policy owner to be used at their discretion. Leading providers are also offering advanced features that offer policy owners increased protection. These features include faster benefits for hospice or serious illnesses, like a heart attack or cancer, and features that repay student loans and even help continue retirement contributions. Employees should speak with a financial adviser to determine how much coverage they should obtain and which options they should consider to tailor their coverage to meet their unique financial needs.

By taking the initiative to plan ahead and protect their income, they're taking the initiative to protect their current lifestyle and family's financial future. With individual disability income insurance, the concern becomes less about 'how long you live without a paycheck' and more about 'how disability income replacement can help you focus on healing or allow you to continue living out the plans you set forth for your life. [B&W](#)

### Notes

1. *Gen Re, U.S. Individual DI Risk Management Survey 2011, based on claims closed in 2010.*
2. *Council for Disability Awareness, 2014 Long-Term Disability Claim Review.*
3. *Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, Workers with disability insurance plans on the Internet at <http://www.bls.gov/opub/ted/2015/disability-insurance-plans-for-workers.htm>*



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