

Disability insurance keeps finances working



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Disability insurance is one of the most overlooked products in the insurance industry. No one wants to think about how different life would be if you were suddenly disabled and couldn't work, as a result of an accident or illness.

But how about this fact: Between the ages of 25 and 65, you're four times more likely to be disabled than to die.

Unlike life insurance, disability insurance is not there just to protect your loved ones when you are gone. Disability insurance is designed to give you monthly income to continue to pay your mortgage, rent, or car payment—even though you can't work.

Yes, Social Security does have a disability program (SSDI). But it is notoriously difficult to access that coverage, and you might even need a lawyer to help you press your claim. The process could take years.

That's why you need to consider buying your own coverage—even if you have some coverage at work. That employer-paid policy may not be transferable if you leave your job, and the benefits are likely to be taxed if you need to use the policy. But if you purchase a disability insurance policy on your own, with after-tax dollars, any benefits will come to you tax-free.

Generally speaking, disability insurance is a good idea even in your twenties, and especially if you have no one else to provide for the basic costs of daily living in case you



become disabled. Single parents might also have a special need for this insurance.

As you reach your late thirties, and are closer to receiving Social Security retirement income benefits, you might want to switch your premium dollars to long-term care insurance, which becomes the greater and more costly risk.

Disability coverage and costs

How much coverage do you need? Of course, you'd like to replace all your income if you are unable to work. But no insurance company is going to write a policy

that gives you that incentive! Instead you will probably qualify to replace only about 60 percent of your current income, which must be documented at the time of purchase.

The higher your income, the smaller the percentage the insurance company will replace. That is, if you earn \$50,000 a year, you could replace 60 percent of your earnings, but if you are a highly paid professional earning \$300,000 a year, you will probably max out with benefits of \$10,000 per month.

The amount of coverage and cost will also depend on your occupation. Almost paradoxically, the

higher income professions such as lawyer and doctor, pay less per dollar of coverage—and get more lengthy coverage—than a carpenter or electrician, who may qualify for only five years of disability payouts. Insurance companies divide professions into classes—and the coverage and price will depend on your type of work.

One important issue with disability insurance is the definition of disability. It is more expensive to purchase a policy that pays out if you are unable to do your "own occupation." For example, a surgeon who loses the use of one hand could still do other work as

a medical professional—but that sure means she can't perform as a surgeon. The policy will pay because she is unable to do her own profession. Make sure your coverage guarantees payment even if you are not totally and permanently disabled from any kind of gainful employment.

The annual cost should be about 2 to 3 percent of your current income to protect your future income. According to AccuQuote, a 30-year-old male who makes \$40,000 a year would pay about \$73 per year for coverage that replaces 69 percent of his salary. A 40-year-old woman who earns \$50,000 could replace 68 percent of her salary for an annual premium of approximately \$2,000 a year. In each case the benefits would continue to age 67, at which time you could access Social Security retirement benefits. And, if you're willing to pay slightly more, you can get additional inflation protection.

Be careful to deal with a top-rated insurance company (Guardian, Unum, for example) to make sure that you will be getting the payout without a hassle if and when the time comes to trigger your policy. Since there are so many variables in this kind of insurance, you'll have to deal with a specialist. For quotes on disability insurance go to www.AccuQuote.com or call (800) 442-9839.

It's worth checking out this "psychic insurance." You'll never know how valuable that income is—unless you lose it for health reasons. That's the Savage Truth.

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