

## Protecting Your Income

If you are in business, you probably insure the components of your business against loss beyond your control. You insure your premises against fire, accidental injury, and theft of property. Your equipment is probably insured. You probably have business interruption insurance to compensate you if your property is rendered unusable due to accidental damage. Whether or not you own a business, you probably insure your car so you can be sure that you'll always have the means to get to work. You probably insure your dwelling so you can be sure that there will be a roof over your head in the event of a catastrophe.

Life, homeowners, and other types of insurance policies provide important kinds of coverage, but they will not safeguard you from financial impact if a disability prevents you from working. The stark reality is that without disability income insurance, a serious injury or illness could be financially devastating to you and your family.

You may believe you're less likely to become disabled than to die prematurely, but statistics show exactly the opposite is true. According to tables prepared by the Society of Actuaries in 1985, at any given time in your career, the chance that a long-term disability will occur is several times the likelihood of death. For example, at age 37, the odds of a long-term disability vs. death is 3.3 to 1. At age 42, the odds are 3.5 to 1, at age 37, the odds of a long-term disability vs. death is 3.3 to 1. At age 42, the odds are 3.5 to 1, at age 47, they are 2.8 to 1, and at age 52, they are 2.2 to 1.

Before you read further, please get a piece of blank paper and a writing utensil. On the paper, write the names of 20 people that know each other. Some examples are members of your family or members of a club, service, or religious organization. Once you have finished, circle the ones who have had a disability lasting 90 days or longer. My experience has shown that more than 90 percent of you will have circled at least 1 name on your lists.

If you earn \$50,000 per year, in 20 years you will have earned 1 million dollars. Without you in it, will your car earn you that kind of money? Will any of the other things you insured enable you to continue receiving your income? Disability income insurance, also known as disability income replacement insurance, is an important vehicle that will help replace a portion of your income in the event that you become disabled due to accident or illness.

There are several types of disability insurance policies. A properly licensed agent or financial representative can explain which is best for you.

Like most insurance policies, Disability Income Insurance policies contain exclusions, limitations, reductions of benefits and terms for keeping them in-force. Your agent or financial representative can provide you with costs and complete details.

Disability insurance is known by various names such as Disability Income Protection, Disability Income Insurance, or Income Replacement Insurance. The basic function of all of the policies is the same: to replace a portion of your earned income in the event you cannot earn a living due to a sickness or accident. The different names are mostly a factor of what the insurance company chooses to label their product.

There are several factors that affect what your premium will be. Because of this, two people of the same age who are at the same income level may be charged different premiums. The following are the most common factors that affect premiums:

- 1) Occupation - The more day-to-day hazards involved in your occupation, the higher the premium. For example, someone who works with heavy equipment will pay more than someone who works primarily at a desk. Also, many occupations such as chiropractors, dental assistants, dental hygienists, beauticians, and jewelers may pay a higher premium than accountants and attorneys due to the fact that a relatively small occurrence such as a sprained finger or a strained back can prevent them from working at their occupation.
- 2) Health - A person with a history of potentially disabling conditions will usually have to pay more for disability than one without such history. A brief list of potentially disabling conditions would include, but would not be limited to, back/spinal injuries or disorders, arthritis, asthma, heart conditions, etc.
- 3) Benefit Period - The amount of time for which the company will pay for a disability. A benefit period of 2 years will cost substantially less than a lifetime benefit period.
- 4) Elimination Period (Waiting Period) - The amount of time you must be disabled before a benefit is payable. The most common elimination periods are 30, 60, 90, and 180 days. For example, with a 90 day elimination period, a person must be disabled for 90 days before benefits are payable. Once the 90-day elimination period has passed, payments begin retroactive to the first date of disability. Waiver of Premium (which is a separate feature) will refund premium paid for the first 3 months, once the elimination period has been satisfied.
- 5) Policy Provisions - For example, a policy that pays both total and partial disability will cost more than one that pays only for total disability. There are several other provisions that can affect the cost of a policy. Be sure you understand all provisions of a policy when comparing it to others. A properly licensed agent or financial representative can help you decide which policy provisions are best for your individual situation.

Disability insurance is one of the most cost-effective ways to help cover your expenses if you should become unable to work due to illness or injury. The purchase of such coverage should be made carefully with the assistance of a qualified professional.

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