

DO YOU NEED A DISABILITY INSURANCE POLICY

Injuries and illnesses that once resulted in death are increasingly treatable and result in longer life spans. However, these injuries and diseases often result in periods of inability to engage in meaningful employment. You are far more likely to suffer a long-term disability before you turn 65 than to die before you turn 65.

CAUSES FOR DISABILITY

Disability occurs for many reasons. Some relate to the hazards of specific employment, which only apply to a limited number of people. The most common causes of disability, however, are medical conditions such as heart disease and back problems, ailments which can hit anyone. Other common causes of disability are automobile accidents, cancer, and head injury.

ODDS OF SUFFERING A DISABILITY

Disability occurs far more often than other events that are commonly insured. It occurs more often than premature death. It occurs more often than fires in the home. It even occurs more often than serious automobile accidents. Roughly half of the disabilities that keep someone out of work for six months or more still have them disabled after five years. One employee out of seven will suffer a five-year disability before age 65.

UNDERSTANDING YOUR NEED FOR COVERAGE

The need for disability insurance is based on several factors.

- Fixed expenses
- Available assets and non-employment income
- Income of your spouse
- Age of your children
- Existing entitlement to disability benefits
- Potential for increased living expenses due to the need for medical care, household help, or child-care

The most complex of these factors to grasp is your entitlement to disability benefits. While you may qualify for Social Security benefits, you should understand that the definitions used by the Social Security Administration for qualifying are very restrictive.

You should also understand whether your group coverage is short-term or long-term and what percentage of your income would be paid in benefits.

A comprehensible analysis is necessary to determine the exposure you should cover with a private disability policy.

MAXIMUM COVERAGE AVAILABLE

Insurance companies will not write policies for 100% of your income. The maximum varies from company to company, but typically ranges from 50% to 70% of earnings.