

Income Sources When You Can No Longer Work

Special to the ASJ
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Remember all those lessons your parents taught you growing up? Respect your elders, always be polite, practice good table manners, and how supplemental insurance works. Ok, they may have missed an important lesson or two.

This article is part three of a six article series that will have the insurance conversation with you that your parents may have skipped over. You will learn about specific types of supplemental insurance, what the benefits cover, what makes a good policy, if you need insurance, and much more. The series continues with a review of supplemental disability insurance.

Disability Insurance

How would you cover your household expenses if you were unable to work and earn a paycheck? Unless you win the lotto or have a wealthy relative to call on, your options are pretty limited. Disability insurance is designed to be an effective answer if this very unnerving situation occurs.

Disability insurance is commonly setup to replace anywhere from 45%-60% of your gross income, which is your income before taxes and other deductions. The coverage can be activated in situations where a sickness or injury prevents you from earning an income in your occupation.

What does disability insurance cover?

Disability insurance can pay you the following:

- A percentage of your monthly earnings
- The payments continue for the duration of the disability or until the maximum time limit stipulated in the policy
- Many on-and-off-the-job illnesses or accidents that prevent you from working

Should I buy disability insurance?

Disability insurance is essential for anyone that works or has liability expenses like a home mortgage, auto payments, or any other costs of living.

Also if you have family members that rely on your income, you need to have ample financial protection for them in case you are out of work.

Considering that most individuals will fall into one of these two categories, disability insurance should be considered

an essential purchase.

What to look for in a disability policy?

A side-by-side comparison is crucial to getting the best benefits at the best price. When looking at these coverage options there are three key benefit advantages you should review.

A living benefit

After taxes and other deductions most individuals end up with anywhere from 60 – 70% of their gross salary as take home pay. With this in mind, it is important that you purchase a policy that protects at least 60% of gross salary, so that you will have the income level you need to maintain your current standard of living.

A long term benefit

Keep in mind that some injuries and illnesses can keep you out of work for a long period of

time. The key to protection in these situations is long term disability protection. Look for policies that will protect you until you reach at least age 65.

Short term benefits

If you do not have a stock pile of sick leave days, you should consider adding short term disability to your long term plan. A short term plan fills in the gaps between the end of your sick leave and the beginning of your long term disability protection. Typically, this coverage starts 15, 30, or 60 days after your initial injury or illness is documented.

What is the value of disability insurance?

Simply put: It will save you from going into debt. You will not have to rely on your credit to pay for the monthly expenses that accrue while you are out of work. In addition, disability insurance can keep losing a job due to accident or illness from significantly affecting your standard of living.

Real Needs

Unfortunately, you were injured on the job and have run out of sick leave. You are still unable to return to work but have no other source of income. Bills are coming in and will need to be paid in the next few days. With the security of disability insurance, this chest tightening situation can be easily resolved. The percentage of your earnings you have protected will be paid to you monthly so you can focus on getting better instead of worrying about your financial situation.

Taking Action

If you are interested in

purchasing disability coverage, talk to your employer to see if this benefit is offered.

Organizations that offer supplemental disability insurance may give you the option to pay through convenient payroll deductions.

When shopping around, be sure to do side-by-side comparisons as this is a great way to decide on a policy and an insurance company.

Once you have decided on a disability plan you can submit an application over the phone or may be able to fill one out online. While speaking with an insurance agent to verify your application information, take the time to ask any questions you may have. Once your coverage is approved you will receive comprehensive information about your policy.

The Bottom Line

Investing in disability insurance is a smart decision that can save you a lot of money in the long run. The loss of your ability to work and earn income can be devastating if you don't have insurance to cover at least part of the cost. It is important to make sure that a disability benefit is part of your insurance package.

If you have any additional questions regarding basic disability coverage, you can contact a reputable insurance company to speak with a specialist.

This series was brought to you by Collateral Educator Services. For more information and to see other articles in this series visit www.aeabenfits.com

Things to Remember

Disability insurance can pay you the following:

- A percentage of your monthly earnings
- The payments continue for the duration of the disability or until the maximum time limit stipulated in the policy
- Many on-and-off-the-job illnesses or accidents that prevent you from working