

## **Disability insurance: Truth or consequences!**

In the long-running television quiz show called “Truth or Consequences” a contestant was asked to judge if a statement were true or false. If they guessed wrong, they had to face embarrassing consequences.

Let’s see how the game of Truth or Consequences works when it comes to disability insurance:

True or false: most people never need disability insurance?

FALSE. In fact, 1/3 of Americans between ages 35 and 65 will be disabled for more than 60 days, according to the American Council of Life Insurance. One in seven will be disabled for more than five years!

And here are the sobering consequences: If you are partially or fully disabled and unable to work, your employer will pay your wages or salary until your sick leave runs out. Then you are on your own. If you are self-employed and unable to work, your income source stops the minute you stop working! Without adequate coverage, the end result is that you will be dealing with a disabling injury, medical expenses, emotional adjustments and financial distress.

The solution is to purchase long-term disability insurance. If your employer carries a group disability insurance plan—and about half of all employers do—then you’ll have some portion of your wage replaced during a long-term disability. Base plans usually cover between 45 percent and 60 percent of your income. You often can purchase supplemental coverage to boost that amount. If your employer does not have coverage, or if you are self-employed, you can purchase an individual plan.

Disability plans are complicated. Seek professional advice when you are selecting a plan. The cheapest plans can be of little value, because they carry strict definitions of disability that are hard to meet, long waiting periods and brief coverage. You pay for what you get.

Here are some features of a typical disability plan to consider:

**Occupation.** Some plans cover your disability period until you can return to work or find work in your occupation. Others require you to work in any occupation when you are able. “Own-Occ” plans are more expensive.

**Percent of income replaced.** The higher the percent replaced while disabled, the larger the premium.

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**Waiting period.** The shorter the waiting period for benefits, the more expensive the plan. Most people don't want a break in their income stream and select policies that kick in after sick leave expires.

**Length of coverage.** Some plans limit coverage to one, two or five years. Others pay to ages 65 or 67. The longer the benefit period, the higher the premium.

Disability insurance premiums will typically cost between 1 percent and 3 percent of annual income. Prices will vary according to your age, gender, health history and occupation, as well as some of the factors mentioned above.

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