

# Insurance Made Simple

## A guide to Disability Insurance



### With a good disability plan you can weather any storm.

You and your fee-only planner have worked out a financial plan aimed at a sunny future. But what if you became seriously ill or injured? Consider this: 1 in 3 people between the ages of 35 and 65 will face a disability and be unable to work for 90 days or longer. Equally alarming, the average length of disability is 4 years. Disability insurance helps you weather such storms, receive a good deal of the income you're used to and even continue to grow your retirement nest egg should an angry gale threaten your financial horizon.

### Disability insurance is your protection from the elements.

The specialists at Low Load Insurance Services, Inc. (LLIS) are experts in helping you protect your income should disability strike. After all, if you saved 10% of your income for 10 years, just one year of disability could wipe it all out. Since accidents and often illnesses happen in the blink of an eye, few are financially prepared to face them on their own.

#### Disability insurance can:

- Replace a significant portion of your income while you receive care or recuperate
- Pay tax-free benefits if you pay the premiums yourself
- Move with you if you change jobs
- Protect your retirement plan
- Provide continuing benefits as you recover your ability to earn income

### Qualifying for the right amount of coverage doesn't happen by accident.

Advisors usually recommend that you insure 60% of your income. Before we prepare quotes for you, we need to research how much protection you already have. For instance, you might have group disability coverage as part of your benefits package. This can provide a good base, but it's usually considered taxable income and is often a relatively low portion of your pre-disability earnings. Then we explore what other income you can count on during a period of disability from investments, pensions or rental properties. Taking a look at the entire financial picture helps us determine just how much coverage you qualify for.

### What is the definition of a disability?

"Own Occupation" means that you will receive benefits if you cannot work at your specific occupation, even if you can work in another. "Your Occupation" or "Modified Own-Occupation" means that you'll receive benefits if you can't work at your specific job and are not working at all. "Any Occupation" means you will receive benefits only if you are unable to work at any job. Some coverage offers "Limited Own Occupation" for two to five years. If the disability continues beyond that time period, the definition changes to "Any Occupation."

### Important policy criteria to consider:

**Length of benefit:** The period of time the insurance company pays you after you file a disability claim is typically to age 65. Shorter or longer benefits may be available.

**Elimination period:** This is the waiting period that defines how long you must be disabled before benefits start. Longer elimination periods typically mean lower premiums.

**Residual benefit:** This is another term for partial disability. Some policies include this benefit automatically and others consider it an additional rider. We strongly urge you to consider the residual benefit. Why? Because residual benefits continue when you go back to work. As your income increases, your residual payments decrease.

**Social Security Insurance Substitute (SIS):** Social programs like Social Security pay a benefit after an extended period of disability, and many people consider this a part of their disability program. So why would you consider an SIS? Because the SIS rider kicks in when no government benefits are available. And according to the Social Security Administration, nearly 70% of claims are initially denied because applicants don't qualify.

**Cost of Living Adjustment Rider (COLA):** Receiving disability benefits in 2020 that are based upon your 2007 income doesn't make much sense. The COLA rider allows benefits to continuously increase based on an index or set percentage after you've been on claim for a year.

**Guaranteed Increases in Coverage:** Future Increase Options don't require you to re-qualify medically after the policy is issued. The most common option is an automatic increase option that allows you to increase the monthly benefit each year, either with a fixed percentage or the CPI Index, and keep up with inflation. An option that isn't automatic requires you to apply for increases in coverage when you have substantial income growth.

**Graded Premiums:** These policies are designed to enable Potential High-Earners to afford more coverage as you begin your career, and then step up the premiums at a guaranteed rate as your income grows.

### Two more key considerations:

In most cases, we recommend disability policies that are non-cancelable to age 65. The company can't change your policy and your rates are level to age 65.

Some more affordable policies are guaranteed renewable. They cost less because the carrier can't change the policy, but they can raise rates for all policies in a class. That means you won't be singled out for a rate increase.

### Let's prepare for the worst, and count on the best.

Your advisor knows we're experienced in finding the right disability insurance for you. To get started, simply call us toll free at 877-254-4429 or click on [www.llis.com](http://www.llis.com). We're here to help you and your financial planner craft the perfect shelter to help protect your income during a storm.

Confidentiality is paramount. All information obtained during the underwriting process is strictly confidential. This information will be used solely to determine your eligibility for the insurance applied for, and will not be released to any other party without your permission.

