



Do You Have Enough Disability Insurance?

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The statistics are alarming: Nearly one-in-three Americans will become disabled for more than 90 days at some point during their working careers.¹ Yet most workers don't give a second thought to the need for disability insurance.

Many think they are covered through their employer's benefit plans or sick leave policy, but this is often not the case. In fact, less than 40% of private-industry workers are covered by short-term disability insurance, while only 31% are covered by long-term disability insurance.²

Even if you have insurance through an employer-provided plan, you may not be getting all the coverage you need. Typically, workplace group plans are structured to replace only about 60% of your salary for a set period of time. Could you and your family live on essentially half of your salary for a prolonged time frame? If you think you need more coverage, you may need to purchase a supplemental plan that will boost that replacement rate to 70% or 80% and increase the length of the payouts.

Finding the Right Coverage

What should you look for in a disability insurance policy? Here are some tips to help you find the right one.

- **Understand the various definitions of disability.** Some policies will cover you in the event you can no longer perform your "own occupation." Others will cover you only if you can no longer do "any occupation." Both tend to be expensive policies. A more wallet-friendly option will cover you for a "loss of earnings" disability. It is designed to make up the shortfall between what you earned before you were disabled and what you earn after.
- **Define your time period.** The average long-term disability claim is 31.2 months, or just under three years.³ Policies can be purchased for various time horizons, including up to your normal Social Security retirement age or for life. Bottom line: The longer your desired horizon, the larger the premiums.

- **Premiums will go up with age.** The older you are, the more you can expect to pay for your policy. Looking into disability coverage while you are younger could save you in the long run.
- **Shop around.** The coverage, riders, and premiums can vary widely from company to company. If you are shopping without the help of an independent agent, be sure to check out the policies from several firms and compare them carefully. You should also carefully review the strength ratings of the various insurers you consult -- if the company you choose gets into financial trouble, you could find yourself holding a policy that pays out far less than you were promised.

Source/Disclaimer

¹Source: Social Security Administration, Fact Sheet, March 2011.

²Source: American Council of Life Insurers, 2010 Life Insurers Fact Book, November 2010.

³Source: Gen Re, 2010 Gen Re Disability Fact Book, December 2010.

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