

Smart Future, LLC Newsletter August 2009



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“Three in 10 workers entering the work force today will become disabled before retiring”

Source: Social Security Administration

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Disability Insurance – Covering your income by Nancy Curtin, CLTC

Insurance is essentially about protecting precious assets and mitigating risk. When it comes to protecting tangible assets, such as your home, you wouldn't forego homeowner's insurance. Yet many don't protect their greatest intangible asset: their livelihood. It's critical to have proper disability insurance coverage to protect your income stream in the event of an unexpected illness or injury.

Disabilities can limit your ability to pay living expenses, and even prevent you from making mortgage payments. According to the U.S. Department of Housing and Urban Development, disabilities are linked to 46 percent of home foreclosures. It's estimated that unexpected illnesses and injuries cause 350,000 personal bankruptcies annually.

What are the major causes of disability? Illnesses such as heart attack, cancer, stroke, diabetes, and other medical emergencies. They cause limitations in daily living for 25 million Americans, according to the Centers for Disease Control. Other causes include arthritis, back pain, and lifestyle-related events such as disabling falls as well as auto and sports accidents. Many disabling events occur while living our everyday lives.

Let's review the different types of disability insurance available to help cover lost income:

Short-term Disability (STD): Your employer may offer a plan that usually pays 60-80% of your base salary for a benefit period of less than six months. If the employer is paying the premiums you must claim the benefits as income. Remember that there is an elimination period to wait for benefits, and the benefit period is limited. If your employer does not offer a plan, get a private plan as soon as possible. Many of my clients have private STD policies to supplement their employer-sponsored plans – the combined plans cover 100% of their income stream.

Long-term Disability (LTD): Many employers also offer LTD, which typically provides for 50-70% of your base salary. Some plans pay up to a 10-year benefit period. For my clients I recommend a supplemental private LTD plan that will pay benefits to age 65. There are some important riders you should consider. The Residual Benefits Rider will provide the difference between an old salary and the new salary that may be less than what was earned before the disability occurred. The Cost of Living Rider allows the policy to increase with inflation. Another good recommendation is the Own-Occupation Rider. If you are disabled this rider allows you to continue to receive benefits in full until you can resume work in your chosen occupation.

State Disability (SDI): This is offered by a few states, including New York. The payments are very minimal, and are only paid for illnesses and injuries that occur off the job.

Workers' Compensation: Limited benefits for work-related illnesses and injuries.

Social Security (SSI): This is a last resort. Many people do not qualify and the waiting period is typically 180 days. It is in no way a replacement for private insurance.

So I'm assigning an action item to my readers: Please look at the disability coverage you presently have. Then call me to review it with you to see if it is enough to protect you. Take this action today to ensure that if an illness or injury occurs, you will be prepared to cover all of your living expenses.