



## Why You Need Disability Insurance

Typically, people buy property and casualty insurance to protect their possessions (houses, cars, and furniture) and life insurance to provide income for their survivors. However, many people don't think about protecting their income with disability insurance. But how well could you live if you weren't able to work? Disability is an unpredictable event, and if you become disabled, your ability to make a living could be restricted. Although you may have enough money in the bank to meet your short-term needs, what would happen if you were unable to work for months, or even years? The real value of disability insurance lies in its ability to protect you over the long haul.

### A look at the odds

Statistically, your risk of being disabled is great. In a given year, the following events occur with the following frequency:

Event	Frequency
Home fire	1 out of every 88 homes
Serious auto accident	1 out of every 70 autos
Death	1 out of every 106 people
Disability	1 out of every 8 people

A further look at disability statistics reveals the following:

- A 30-year-old man has a one in five chance of suffering a long-term disability before his planned retirement.
- A 30-year-old woman has a one in three chance of suffering a long-term disability before her planned retirement.
- Roughly 50 percent of people who suffer disabilities lasting longer than six months remain disabled after five years.
- Heart disease and back problems are the two most common causes of disability.
- More people lose their homes through disability than through fire or death.
- One in seven employees will be disabled for five years or more before retirement

As these statistics show, your chances of being disabled for longer than three months are much greater than your chances of dying prematurely. One reason for

this is that medicine has found ways of treating many illnesses and injuries that previously would have been fatal. Although this is good news, it increases your need to protect your income with disability insurance.

Of course, statistics can be misleading. You might never become disabled, especially if you're healthy and work in a low-risk occupation. But then again, how many people do you know who have had cancer or have suffered a heart attack? How many of your friends and family members have been in car accidents or have had back problems? Illness, as well as injury, is disabling. If you were hurt or got sick, how would you support yourself or your family?

### **What would happen if you became disabled?**

What would happen if you suffered an injury or illness and couldn't work for days, months, or even years? If you're single, you may have no other means of support. If you're married, you may be able to rely on your spouse for income, but you probably also have many financial obligations, such as supporting your children and paying your mortgage. Could your spouse really support you and your family? In addition, remember that you don't have to be working in a hazardous occupation to need disability insurance; accidents happen not only on the job but also at home, and illness can strike anyone. For these reasons, everyone who works and earns a living should consider purchasing disability insurance.

### **But isn't disability coverage through an employer or the government enough?**

You might think that you are adequately insured against disability because you have coverage through your employer or through government programs such as Social Security and workers' compensation. However, only 50 percent of employers cover short-term disability, and only 40 percent cover long-term disability. Government programs may pay you benefits, but only if you meet a strict definition of disability. Here's an idea of the benefits you may already have, as well as their limitations:

- *Social Security*  
Although you shouldn't overlook the disability benefits you may be eligible to receive from Social Security, you shouldn't rely on them either. Social Security denies more than 50 percent of the claims submitted, in part due to its strict definition of disability. Even if you are deemed eligible for benefits, you still won't begin receiving them until at least six months after you become disabled because Social Security imposes a waiting period. In addition, your benefit may replace only a fraction of your pre-disability income.
- *Workers' compensation*  
If you're injured at work or get sick from job-related causes, you may receive some disability benefits from workers' compensation insurance. How much you receive depends on the state you live in. However, when you review your disability insurance needs, remember that workers' compensation only pays benefits if your disability is work-related, so it offers only limited disability protection. Some states also cover only the diseases or disabilities outlined in that state's workers' compensation laws.
- *Pension plans*  
Some government and private pension plans pay disability benefits. Often these plans pay benefits based on total, permanent disability, or reduce your

retirement benefit in proportion to what you have already received for a disability. In addition, remember that these benefits are usually integrated with Social Security or workers' compensation, so your benefit may be less than you expect if you also receive disability income from these government sources.