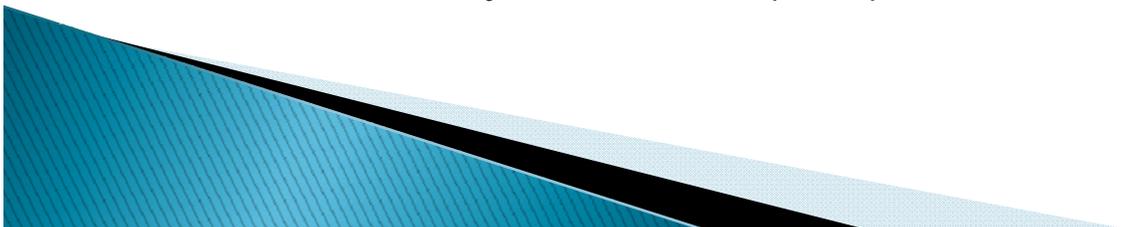


# Preparing for Disability...

## A Disability Income Review

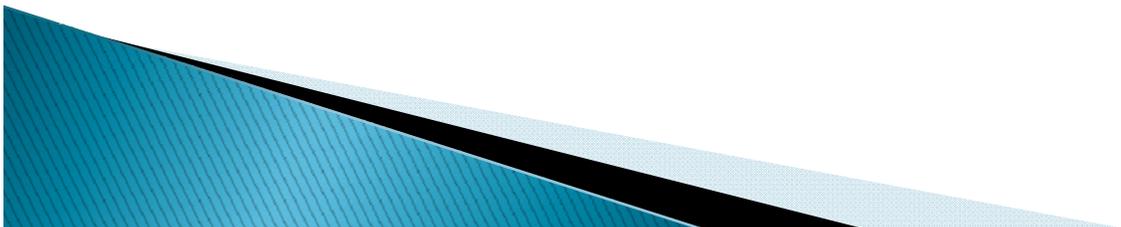
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## **Your earning power – your ability to earn an income – is your most valuable asset.**

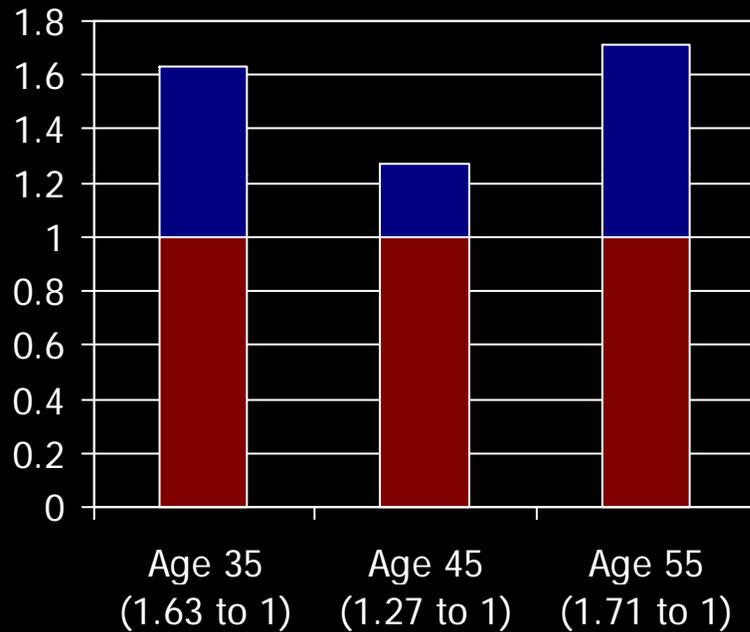
Few people realize that a 30-year-old couple will earn 3.5 million dollars by age 65 if their total family income averages \$100,000 for their entire careers, without any raises.

If you are sick or hurt and unable to work,  
how will you replace your earning power?

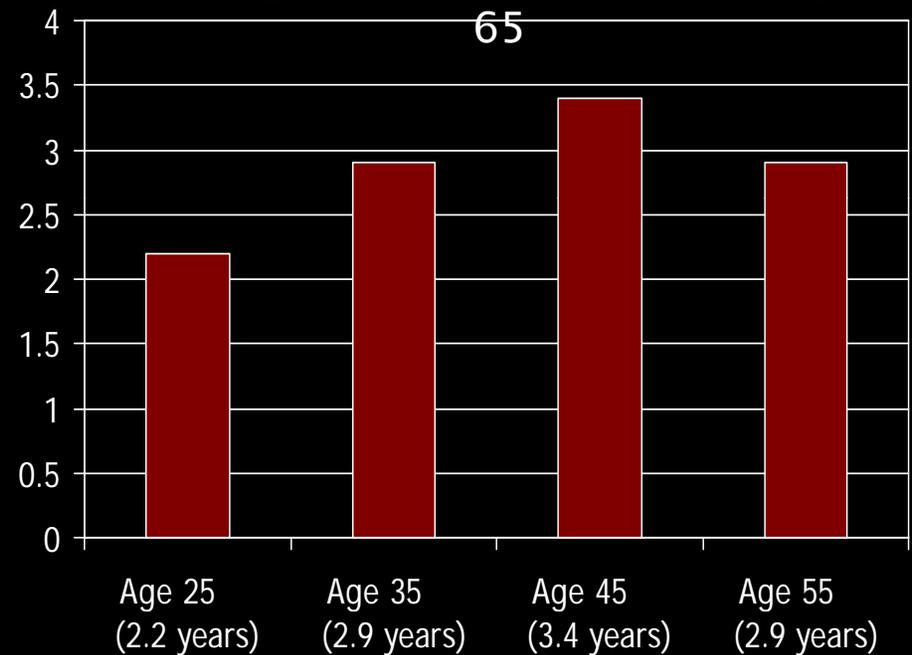


# Is This a Gamble You Want to Take?

Risk of Disability for 3 Months or Longer versus Risk of Death



Average Duration of a Disability Lasting Over 3 Months Prior to Age 65

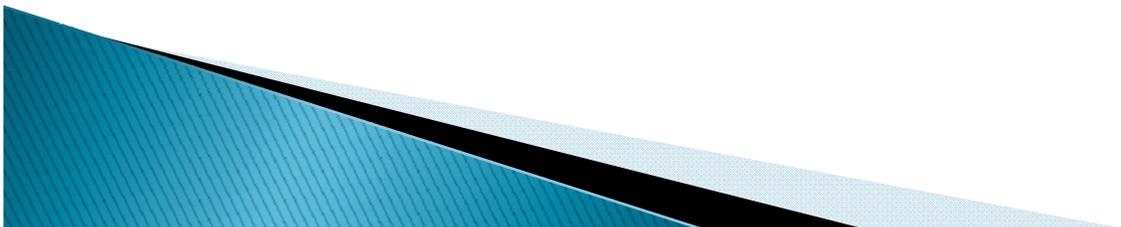


Source: 1986 Commissioners Disability Table

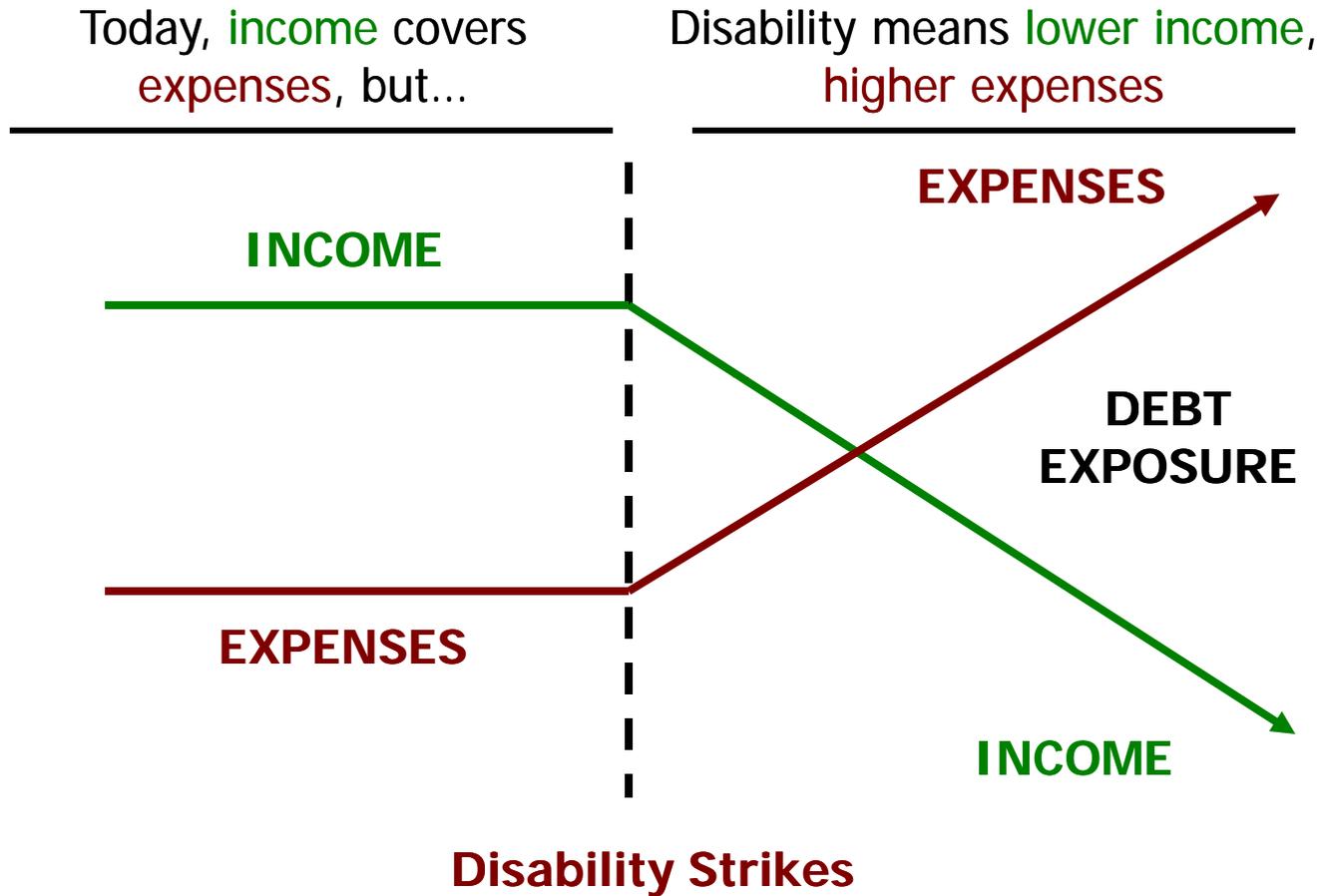
## **In fact, disability is 16 times more likely than death to cause foreclosure!**

Cause of Foreclosure	FHA	VA	Conventional	Average
Death	4%	3%	2%	3%
Disability	48%	49%	46%	48%

Source: U.S. Housing and Home Finance Agency



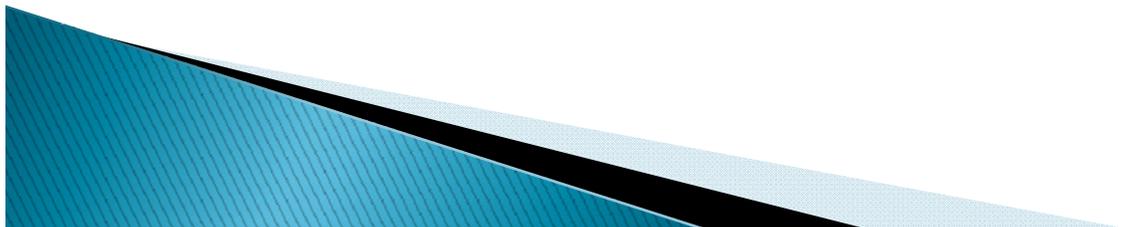
# What Can Happen If Disability Strikes?



How will you meet the expenses of a disability, just at the time your earning power ceases?

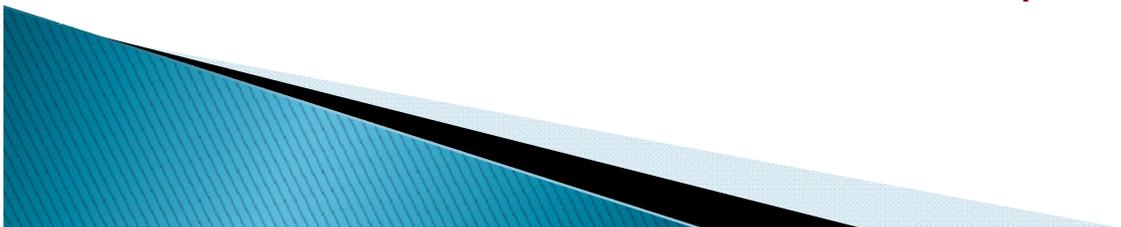
## What Sources of Funds May Be Available to Replace Your Earning Power During a Disability?

<b>Source</b>	<b>Evaluation</b>
<b>Savings</b>	If you save 10% of your income each year, it will take 10 years to set aside just one year's income
<b>Borrow</b>	What creditor is going to lend money to a disabled income earner?
<b>Liquidate Assets</b>	Assuming a market exists, a forced liquidation of assets can reduce their value. A single disability could consume the assets you've worked a lifetime to accumulate.



<b>Source</b>	<b>Evaluation</b>
<b>Spouse's Earnings</b>	Your lifestyle may already be built upon a dual income. If, however, your spouse is not currently an income earner, is it realistic to assume that he or she could replace your earning power?
<b>Social Security Benefits</b>	It can be difficult to qualify for Social Security disability benefits. In fact, from 1996 through 2006, an average of only 48% of Social Security disability claims were eventually approved (source: Annual Statistical Report on the Social Security Disability Insurance Program, 2007; released September 2008). Assuming, however, that you do qualify, Social Security benefits do not begin until the sixth full month of disability and are generally not adequate to replace your earning power. The average Social Security disability benefit paid in 2007 was \$1,004 per month.

There is, however, a possible solution...



## A Potential Disability Income Solution:

An adequate amount of personally-owned disability income insurance, coordinated with other sources of income, can guarantee a source of income in the event of serious illness or injury.

Personally-owned disability income insurance benefits can be used to:

- preserve your independence.
- maintain your lifestyle.
- give you time to recover and, if necessary, retrain.
- protect your assets from liquidation.
- maintain your personal savings for other uses.

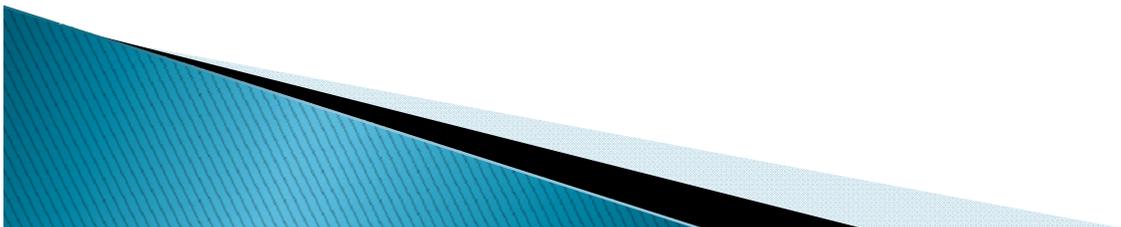
Finally, since the premiums paid for personally-owned disability income insurance are not tax deductible, the benefits are not considered as income and are received 100% free of income tax.



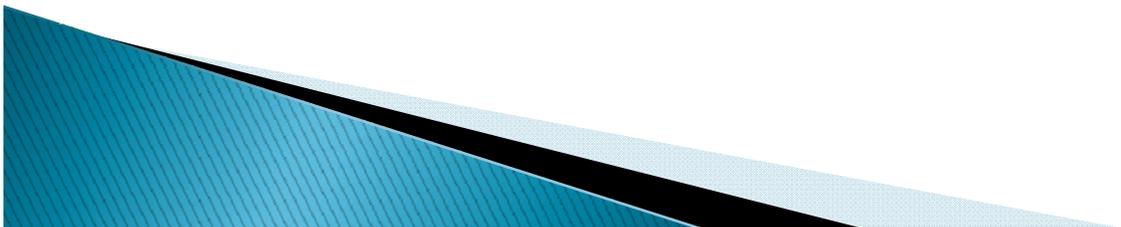
## A Disability Income Insurance Checklist:

With disability income insurance, you are purchasing a stream of income to be delivered to you by an insurance company in the event you become disabled. The policy features and benefits should be coordinated with your needs and premium-paying ability. As you evaluate disability income policy features and benefits, remember that the choices you make will impact the premiums you pay and the benefits you are entitled to receive.

<b>Benefit Amount</b>	What is the monthly disability income benefit?
<b>Waiting Period</b>	For how long must you be disabled before the benefit begins? Common waiting periods are 60, 90, 180, 365 or 730 consecutive days of disability.
<b>Benefit Period</b>	For how long will benefits be paid? Common benefit periods are one year, two years, five years and to age 65.



<p><b>Definition of Total Disability</b></p>	<p>What definition of total disability must be met for benefits to be payable? The definition of total disability can range from the inability to perform <b>your own occupation</b> to the inability to work in <b>any reasonable occupation</b> based on your education, training and experience. <b>This is an important policy provision to evaluate.</b></p>
<p><b>Partial Disability Test</b></p>	<p>Will the policy provide benefits for partial disability following a period of total disability? If so, how much and for how long? What requirements must be met?</p>
<p><b>Rehabilitation Benefits</b></p>	<p>Does the policy pay any of the expenses of a rehabilitation program during a period of disability?</p>
<p><b>Waiver of Premium</b></p>	<p>Will policy premiums be waived during a disability?</p>
<p><b>Renewability</b></p>	<p>Is the policy guaranteed renewable? Under what conditions can premiums be increased?</p>

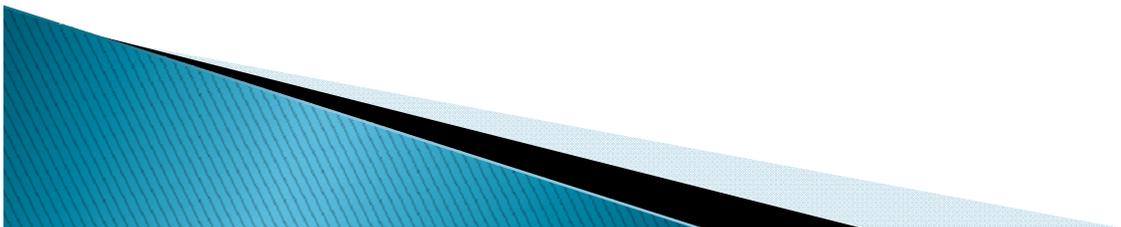


## Other Disability Income Insurance Benefits to Consider:

**Additional Purchase Option:** Right to purchase additional disability income protection without evidence of insurability.

**Social Security Rider:** Coordinates with an expected Social Security disability benefit.

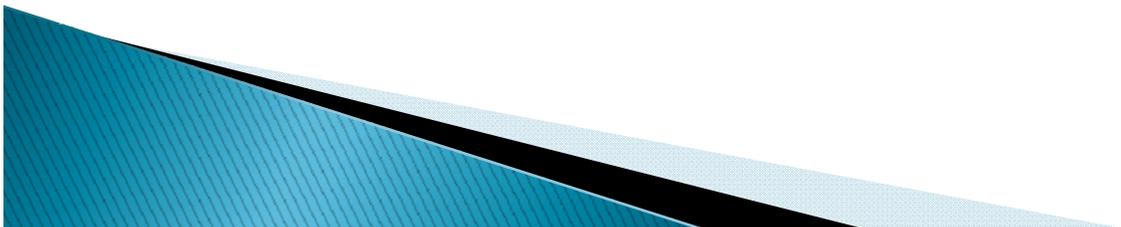
**Cost of Living Rider:** In the event of disability, increases the disability benefit each year to compensate for increases in the cost of living.



# Disability Income Action Checklist:

## The Analysis...

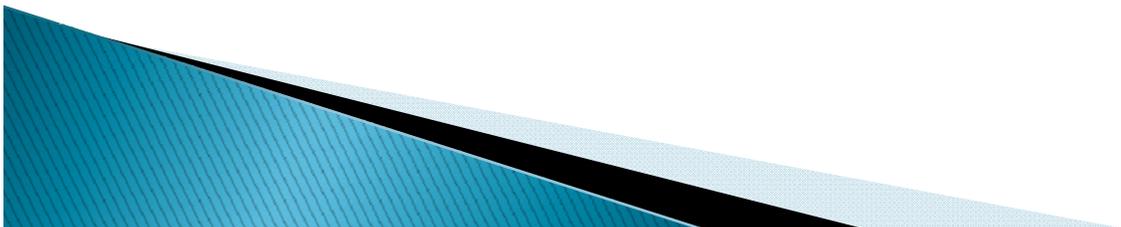
- Estimate the income you will need in the event of disability.
- Estimate the disability income that will be available to you, including:
  - Employer-Provided Short and Long-Term Disability Benefits
  - Social Security
  - Other Government-Provided Disability Benefits
  - Other sources of income
- Determine the additional monthly income required to achieve your disability income objective.



## Disability Income Action Checklist:

### To Implement a Disability Income Insurance Plan...

- Select type of policy and amount of personally-owned disability income insurance.
- Evaluate and select appropriate optional benefits.
- Establish insurability.
- Arrange for payment of premiums.



## **You Can Manage Your Finances...**

*It's by managing your finances that you write the story of your life. You are both the author and the story's principal character. Resolve to perform what you ought.*

**Benjamin Franklin**