BENEFITS CORNER

Mitch Michener
Evergreen Benefits Group, LLC

Insuring Your Most Important Asset

You have probably made the effort to insure your home, your car, your health, and maybe even your life, but have you taken the time to insure what might be your most important asset? I am writing about your ability to work! Without the ability to work and earn an income, all of the other things in your life would be very difficult to afford. What would happen to you and your family if you found yourself not able to work due to an injury or accident? How long could you continue to make your mortgage, car, energy, grocery, health insurance, and other payments? Most people could probably continue to pay their bills for a few months but certainly not for an extended period of time.

There is an insurance coverage available that can assist you to pay your bills and continue on with your lifestyle in the event of a disability. The coverage is known as Disability Income or a Long-Term Disability plan. Disability Income plans are usually purchased individually, while Long-Term Disability plans are provided through your employer. In either case, these programs will replace a portion of your income if you become disabled.

Do you think that disability can only happen to “the other guy”? Here are some statistics on risks that could happen to you over the course of the next year that could be covered by insurance (Source: Field Guide 2001, National Safety Council, World Almanac):

- 1 out of 5 chance that your car will be damaged in an accident.
- 1 out of 21 chance that you will have a disabling accident.
- 1 out of 96 chance that you will have a fire.
- 1 out of 114 chance that you will die.

These statistics point out that there is a five times greater chance to have an accident that will keep you from working than there is that you will pass away. If you were to add in the odds for a disability due to an illness, the odds increase to 1 out of 15 that you will have a disability that lasts for more than three months.

What are your chances of having a disability that lasts three months or longer prior to age 65? If you are 55 years old, there is a 27 percent chance for you to have this length of disability. If you are 25 years old, there is a 44 percent chance that you will have at least one disability of this length. Overall, between the ages of 27 and 57, your chances of becoming disabled in any one year are two to three times greater than your chance of death.

I do not like to sound so negative, but the chances of disability are real. It has been my experience that too many of us do not even consider getting some type of protection for this type of situation.

So what are your options to insure against this type of risk? Social Security certainly provides potential protection for disability, but is it a realistic option? Social Security currently denies about 65 percent of all disability claims, even after appeals. The reason for this high denial rate is that Social Security uses a very stringent definition of disability in determining benefit eligibility. Social Security requires that your disability be considered “total and permanent.” Total and permanent means that your disability must have lasted at least five months or more, be expected to last at least twelve months or to result in your death. Their definition of disability further requires that you cannot work in any occupation at all that is available in the American workforce. This means that if you are an accountant that has become disabled but you could work as a burger-flipper, Social Security does not consider you disabled.

There are two solid options that are available to you to insure your income in the event of a disability. The first is an individual disability plan. These plans will typically insure you against a loss of earnings after a three-month or longer disability. Individual plans can be set up to insure a flat monthly dollar amount or a predetermined benefit percentage. To qualify for benefits, usually only two things need to happen—a disability caused by an injury or illness and a 20 percent or greater loss of earnings. There is usually no need to be totally disabled before being eligible to get a benefit. Benefits are typically paid until you are age 65 under an individual disability plan. Another benefit of an individual plan is that you own it, so if you switch jobs, it is still in effect.

Another solid option for long-term disability protection is an employer-sponsored plan. These plans can be made available for employers with as few as two or three employees. Like an individual disability policy, benefits are typically paid after the insured has been disabled for three months or longer. Again, most group plans require only a 20 percent or greater loss of earnings due to your disability to be eligible to receive a benefit. Unlike an individual plan, the overall benefits are not quite as generous and the benefits cannot be taken with you if you change employers. Group plans are typically much less expensive than an individual plan.

The benefits of a disability plan cannot be overstated! Too many people do not have this kind of protection. Fewer than 60 percent of employers offer this kind of coverage, and less than 20 percent of Americans own an individual plan. The cost for an employer-sponsored plan is usually around one-half of one percent of payroll. The benefits from these types of plans can mean the difference between dignity and bankruptcy.

If you currently do not have a disability income or long-term disability plan, please consider it. I would be happy to provide you with more information on this important coverage. Thanks for reading this article; I hope to hear from you soon!

Mitch Michener, RHU, REBC, can be reached at Evergreen Benefits Group at The Stone House Business Center. (303-670-0935) mitch@everben.com.

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