



Disability Insurance Consumer Information

National Financial Awareness Day 2007

Why is disability income protection important?

The question should be...*if you couldn't work, could you maintain your lifestyle?* There are many facts to support why disability income protection is needed.

- 48% of mortgage foreclosures are caused by disability whereas only 3% are caused by death. *Disability Insurance Resource Center*
- Seven out of ten people between the ages of 35 and 65 will become disabled for three months or longer. *Senate Finance Committee, 1998.*
- 61% of all workers are not protected in short-term disability benefits in the privatized industry. *U.S. Department of Labor Bureau of Labor Statistics, 2005*
- In the year 2000 it was found that 82 % of people do not have long-term disability insurance or believe their coverage is inadequate. *The Consumer Federation of America and The American Council of Life Insurers, 2000.*
- According to Guardian Disability Insurance, as medical technology improves, your chances of surviving an illness or accident increases. Suffering a disability is more likely than being in an auto accident, dying or having a fire in your home.
- One out of seven employees will be disabled for five years or more before retirement. *Commissioners Disability Table, 1998.*
- The United States Government Accountability Office (GAO) estimated in 2001 that there were 1.6 million disabled people being served in nursing homes, 106,000 in institutions for the mentally disabled, and 57,000 in state and county facilities for the mentally ill. The fast aging baby boom generation "could increase the number of disabled elderly people who will need care to between 2 and 4 times the current number."
- For a 32 year-old a serious disability of 90 days or longer is 6 1/2 more times likely than death. *Disability Insurance Resource Center*
- One in five Americans (23 %) are not willing to pay any amount to protect their income. *Guardian Insurance & Behavior Study*
- Fifty percent of consumers have three months or less of their living expenses saved. *Guardian Insurance & Behavior Study*

What are the chances of becoming disabled?

According to the Disability Insurance Resource Center:

- Every 19 seconds someone is injured in an auto accident.
- Every 17 seconds someone is injured at work.
- Every 4 seconds someone is injured in some form of accident.

How would you be able to survive financially if your income stopped?

- Considering the potential income loss if you were to become disabled and lose your job is the first step in analyzing your needs. Other questions include...How would you pay your bills? What type of income do you need to live until you can go back to work? What if you cannot go back to work? How would you support dependents?
- The following chart shows how much income you could potentially lose at different increments of age if you were to become disabled.

Potential Loss of Income				
Age when disabled	25	30	40	50
Monthly Income	\$2,000	\$4,000	\$6,000	\$8,000
In one year you would lose	\$24,000	\$48,000	\$72,000	\$96,000
In two years you would lose	\$48,000	\$96,000	\$144,000	\$192,000
In five years you would lose	\$120,000	\$240,000	\$360,000	\$480,000
By age 65 you would have lost	\$960,000	\$1,680,000	\$1,800,000	\$1,440,000

Chart from Guardian Disability Insurance Brokerage

Isn't Social Security or workman's compensation enough coverage?

No. Social Security is very hard to qualify for and you must not be able to work ANY job as well as meet other multiple requirements. Workers compensation only covers any injury or disability that occurred on the job. These two are not enough to cover your expenses and relying on savings, family or friends are not going to protect you in the long run.

How much disability insurance do you need?

Every person interested in a policy will have different needs.

How much does disability insurance cost?

- Usually companies insure for 60 % of salary. With an additional insurance policy, it is possible to increase this coverage to 75 to 80 % of an individual's salary, although there are extra expenses associated with this. If you are insured through your employer, there may be a cap on how much you receive.

- Premiums for disability coverage vary based on age, income, the type of work people do, and the policy provisions chosen. Generally, the greater the coverage; the higher the premium.

Who should purchase disability insurance?

Anyone who can afford the extra cost. Life brings no guarantees of perfect health.

How often should you review your disability insurance policy?

- At least once a year or if there is a personal need to increase or decrease your benefit.
- According to a Guardian Insurance & Behavior study, 54 % of people review their policy at least once a year. An alarming 24 % admit they never review their policy.

The seven most important differences in disability policies

- Guarantees
- Definitions
- Benefit Period
- Residual/Proportionate Disability Optional Benefit
- Future Purchase Increase Optional Benefit
- Cost of Living Adjustment

What questions should consumers ask when purchasing a policy?

- Is it beneficial for me to purchase a policy at a young age such as 25?
- How long will it be between a disability and the first payout?
- What is the elimination period and trigger date? *This will tell you how long you will have to wait if a disability does occur.*
- How long will payments continue?
- Can premiums increase?
- Can a carrier refuse to renew my coverage?
- Under what circumstances does an insured lose disability payments?
- What happens if the insured returns to work and the disability is re-triggered?
- Can a person convert to an individual policy if the business changes its insurance coverage plans?
- Are there any disabilities that a policy does not cover, such as carpal tunnel syndrome or cancer?
- What happens to my premiums if I never collect from the policy?
- Should I consider a policy option that provides a benefit refund?

Where can consumers go to find a participating National Financial Awareness Day financial advisor?

- Participating financial advisors can be located on The American College's Alumni website at www.theamericancollege.edu.

Where can individuals find more information on disability income protection?

- There are many websites which can help you find more information on these topics. Some examples include:
 - International DI Society—www.internationaldisociety.com
 - Disabled People International—www.dpi.org
 - American Disability Association—www.adanet.org
 - National Disability Institute—www.ndi-inc.org
 - Current initiative *Real Economic Impact Tour* is helping working age adults with disabilities to help save for the future.

About The American College and National Financial Awareness Day

Who is The American College?

- The American College offers students self-study, classroom and online course options to match preferred learning styles, outstanding student advisory services, authoritative study materials written by faculty experts and a continuum of education promoting lifelong learning and growth. At The American College, we are committed to providing financial practitioners with an exceptional educational experience.
- Since 1927, The American College has helped more than 150,000 graduates advance and broaden their careers through our many designation, certificate and degree programs by carrying on the mission of our founder, Solomon S. Huebner.

What is the purpose of National Financial Awareness Day?

- National Financial Awareness Day encourages consumers to take the steps necessary to protect their financial security. Educating consumers about disability income protection will help reinforce the importance of adequate planning for unexpected life events.
- The event will also promote the value of professional financial advice and increase recognition of the devastating impact disabling events can have on family finances and businesses.

Why is National Financial Awareness Day being held on March 6th?

The American College selected this date because it celebrates the birthday of our founder, Dr. Solomon S. Huebner, who was born on March 6, 1882.

Who is Solomon Huebner?

Dr. Huebner was one of the nation's foremost scholars and developers of modern economic thought. He applied economic concepts as a means of placing value on human life also known as the Human Life Value Theory.