

## **Disability Income Insurance: What Every Successful Person Needs to Know**



BY RICHARD REICH  
PROTECTYOURINCOME.COM  
866-601-0100

## Disability Income Insurance: What Every Successful Person Needs to Know

*Have you ever engaged in any of the following forms of financial and insurance planning?*

- *Purchasing life insurance*
- *Estate planning*
- *Designing an investment portfolio*
- *Retirement planning*
- *Setting up a savings plan*

Of course you have, because you're already aware of the need to protect your wealth. But despite all your careful strategizing, you may have overlooked a very important piece of protection. None of these plans or products will protect the source of your wealth: your ability to earn an income. That's why, in addition to all of the above, every successful person also needs the very best disability income (DI) insurance possible.

No matter how young or careful you are, a disabling accident or illness can happen to you – a car accident...a serious fall or other mishap...or a heart attack, problem pregnancy, or other long and serious illness. Any of these situations could result in your inability to work for a significant period of time – during which you would not be drawing a paycheck. Few people, no matter how well off or careful, are fully prepared to rely solely on their savings to carry them through a prolonged recovery period.

Statistics show that disability is much more commonplace than most people think: In a recent survey more than half of employees surveyed felt they had a less than 2% chance of becoming disabled during their working years<sup>1</sup>, but in reality more than 25% of Americans entering the work force today (1 in 4) will become disabled before they retire.<sup>2</sup>

Furthermore, it's not safe to rely completely on a group policy your employer, business or practice may have purchased. While group DI is often

relatively inexpensive and easy to administer, it can also fall short just when you need it most – leaving you in for some unpleasant surprises when it's too late to correct the situation.

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**Want to be better prepared? Consider the following:**

### *Learn to speak the lingo*

The right disability income insurance (DI) policy can help you keep your household going if you suffer a long-term disability. But before you go shopping for a DI policy, you need to know what features to look for—and the language the insurance industry uses to describe them. The following terms are part of the language describing high-quality policies, and are what you should look for to get coverage you can count on:

- **Non-cancellable and Guaranteed Renewable:** To avoid the possibility of losing your coverage just when you need it most, choose a policy that's non-cancellable and guaranteed renewable to age 65. This will also guarantee premiums until age 65. With group or association coverage, you run the risk of being dropped and left unprotected at a time in your life when, due to your age or to a change in your health, it would be very difficult to qualify for coverage from another provider. The premiums for your entire classification can also be increased at any time.
- **Conditionally renewable for life:** Although premiums may increase after age 65, your policy should be renewable for life, as long as you are at work full time.

<sup>1</sup> CDA 2010 Consumer Disability Awareness Survey.

<sup>2</sup> Social Security Administration Fact Sheet, January 2011.

- Own-occupation: Own-occupation or “Own-occ” coverage defines “totally disabled”—and therefore eligible for benefits—as being unable due to injury or sickness to perform the material and substantial duties of your own occupation *even if you are at work in another capacity*. As a highly skilled professional who has invested much in education and training, you want to make sure you have genuine own-occupation coverage... so that even if you can teach, for example, in your field—but cannot practice law—you are still eligible for benefits. Group coverage is rarely *true* own-occupation coverage.
- Residual Disability coverage: Through a rider, a good individual DI policy can provide you with a benefit when you suffer a loss of income as a result of *partial* (residual) disability—*even if you have never suffered a period of total disability*. This kind of residual coverage is not available with most group plans.
- A choice of riders: Riders offer optional additional coverage such as Future Increase Options and Cost of Living Adjustments, or “COLA.”

#### Language to Look for in a High-Quality Disability Policy:

- ✓ Non-cancellable and Guaranteed Renewable
- ✓ Conditionally renewable for life
- ✓ Own-occupation definition of total disability
- ✓ Residual or Partial disability coverage
- ✓ Choice of Riders, such as Future Increase Option, Cost of Living Adjustment (COLA) and Catastrophic Benefit

#### ***Protect your business or practice, as well as yourself***

If you own your own business or are a partner in a practice, you will also want to protect that business, as well as yourself. Special business DI policies, available from the same DI providers who offer high-quality individual coverage, offer your business protection while you recover from a disability.

To help meet the expenses of running the office while you are disabled, consider a separate type of disability insurance coverage known as Overhead Expense (OE). Benefits reimburse your practice for expenses such as rent for your office, electricity, heat, telephone and utilities, as well as interest on business debts and lease payments on furniture and equipment.

Overhead expense insurance specifically designed for professionals pays some additional costs not included in most overhead expense policies—including the salaries of employees who are not members of your profession and have no ownership interest in the business. While salaries for the support staff would be covered, for example, the salary of your fellow professionals would not. However, with a high-quality professional overhead policy, at least part of the salary of a professional temporary replacement for *you* – retained to fill in during your total disability – would be covered.

***In addition...*** If you are a partner in a firm or your business has more than one owner, you will also want to consider a policy known as a Disability Buy-Out (DBO). In much the same way that life insurance benefits can be set aside to fund a buy-out by the remaining partner (or partners) if one partner dies, DBO is designed to fund the healthy partners’ purchase of the disabled partner’s share of the business. With the proper agreement in place before disability occurs, hard feelings and the conflicts of interest that result from a partner’s disability can be avoided.

You’ve already done so much to protect your financial well-being. Won’t you take the time today to consider protecting the source of your

income? With the right DI coverage, your family's economic security is safeguarded. And, by purchasing the best disability income coverage you can find, you can rest assured that you've added a vital component to your financial protection package.

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### **About the Author**

Richard Reich, President of Intramark Insurance Services, Inc. in Pasadena, California.

Richard, along with other industry professionals, started ProtectYourIncome.com, because, through their previous dealings with physicians, dentists and other professionals, they knew there was a need for a website that offered non-biased information about disability insurance that provides answers to most of the questions one could have about this type of insurance.

Also, in his previous dealings with these same professionals, Richard knew that most of them had significant time constraints and often didn't have the time to sit down with an insurance professional to learn about and, ultimately, apply for this type of policy. I created the site so one could spend as much time as they needed to learn the intricacies of these policies (in the comfort of one's home or office), request quotes and receive quotes from multiple companies with an easy-to-read comparison of benefits. Our belief is that a well-informed client will make a good decision without pressure from a salesperson.

We place policies with only top-rated insurance companies that offer disability insurance with an own-occupation definition of disability.

Richard can be reached at 866-691-0100 ext. 105 or via email at [reich@protectyourincome.com](mailto:reich@protectyourincome.com).

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