



What Would You do Without Your Income?

What would you and your family do without your paycheck? Your income provides the foundation which supports everything else. Without it, how would you afford all the things you hope to provide for your family? How long could you survive without your paycheck? Without the ability to earn income your whole world can fall apart quickly. Most people are only about 90 days away from bankruptcy.

In addition, have you ever thought of your potential earnings as your most valuable asset? Consider a 35-year-old who will make an average \$450,000 annual income. He has the potential to earn almost \$13.5 Million if he works until age 65, not taking into account any raises, bonuses or increases in income he is likely to receive.

Unfortunately, the threat of losing your income is all too real. Studies have found that medical problems play a role in more than 60% of bankruptcies and half of all foreclosuresⁱ. No one expects a serious illness or injury to strike, but the threat is greater than you may think. People tend to think about disability in terms of catastrophic events, like a terrible car accident that leaves you paralyzed or in a nursing home. Less dramatic and much more common conditions such as arthritis, back pain, heart disease, cancer, depression, diabetes, and even pregnancy are some of the leading causes of disability in the US. As a point of reference, disabilities are not usually the result of an accident. Most result from illnesses.

Consider the following top 10 causes, in percentage of total new long-term disability claims from 2009 to 2010 as reported to the US Group Disability Rate and Risk Management Surveyⁱⁱ:

- 27.5% musculoskeletal connective tissue diseases,
- 15.2% neoplasm cancer
- 10.3% accidental injuries/poisoning
- 9.1% circulatory system disease
- 9.1% mental disorders
- 6.9% nervous system disease
- 5.1% pregnancy complication
- 2.5% digestive system disease
- 1.3% endocrine diseases and immunity disorders

Do you know anyone who suffers or has suffered from any of these ailments? Chances are, the answer is yes. The Rehabilitation Research and Training Center on Disability Statistics and Demographics reports that in 2016, roughly 12.8 of the total U.S. population suffered from disabilityⁱⁱⁱ.

Many people falsely believe that their employer's group long-term disability coverage will protect them. Although that's a valuable foundation and a good start, group long-term disability usually has gaps which leave some of your income at risk. For instance, typical employer-paid group long-term disability covers 60% of your base income to a monthly maximum of \$5,000 or \$10,000 and the benefit is taxable in most cases.

Individual disability insurance is the best way to fill in the gaps left by group long-term disability, and you own the policy. It is yours to keep whether you change employers or not. The time to apply is now. There is a cost to waiting. The initial premium calculation is based partly on age. The older you are, the more it costs to start a disability insurance policy. There is a health risk to waiting. You have to medically qualify for disability insurance. If you are healthy, apply now. Once a sickness or injury strikes, it may be too late. Each day you go without adequate income protection is another day of putting your family's foundation at risk.

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- i. Medical Bankruptcy in the United States, 2007: Results of a National Study Himmelstein, David U. et al. The American Journal of Medicine , Volume 122 , Issue 8 , 741 – 746
 - ii. The 2014 Council for Disability Awareness Long Term Disability Claims Review (2014). The Council for Disability Awareness https://disabilitycanhappen.org/research-cda_ltd_claims_survey_2011/
 - iii. Kraus, L., Lauer, E., Coleman, R., and Houtenville, A. (2018). 2017 Disability Statistics Annual Report. Durham, NH: University of New Hampshire.

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