

Disability Insurance Insights...



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began his insurance industry career in Cleveland, OH, with a company that specialized in disability income protection.

In 1981 Cohen founded the Eugene Cohen Insurance Agency, Inc., Skokie, IL, which specializes in DI, life, LTCL, fixed annuities, and impaired risk cases. The agency is a member of LifeMark Partners, NAILBA, the IDIS and is a founding member of The Plus Group.

Cohen received the W. Harold Petersen Lifetime Achievement Award from the IDIS and NAILBA's Douglas Mooers Award for Excellence.



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Numbers Don't Lie

The need for individual disability insurance (IDI) is real. IDI is not a luxury item purchase—like an expensive pair of handmade Italian dress shoes or the latest smartphone.

Buying disability insurance is not on most people's to-do list, but neither are the possible tragic results of not having disability insurance. Some of the horror stories people experienced have been, but not limited to: Going bankrupt; having a home foreclosed due to not being able to pay the mortgage; getting evicted from an office for not being able to afford the lease; or watching a car get repossessed. When someone unexpectedly becomes too sick or

too injured to work, and does not have disability insurance, unpleasant consequences can occur.

Let's look at the numbers. Numbers don't lie. So, let's first look at one important number, someone's income. Typically, this is usually the most important number a lender wants to know when a client applies for a mortgage, a lease, or a loan. If a client is disabled and doesn't have an income, it would be very challenging to obtain a mortgage, lease or loan.

So, let's say a client is working and successfully secures a loan, but later becomes sick or injured and can no longer meet the contractual obligations on that loan. Now

what? To our knowledge, most loans do not have a provision that would waive the obligation if someone becomes disabled. The mortgage is still due, the car payments are still due, the rent or lease would still be due as well. When a client has disability insurance, the policy can help to provide funds for these obligations that still need to be paid.

We all likely agree that having an emergency plan in case one of our clients, or even ourselves, becomes totally disabled is very important. Yet, it's perplexing to see so many financial planners or advisors that haven't addressed the issue, or even worse, have taken a client's word that there is sufficient protection. Next time a client says that they have a disability plan, go down that path with them. Ask them how much coverage they have in force or to describe the exclusions or the taxability of the benefit, in which case you most likely will see a blank stare as a client tries to come up with an answer or even an understanding of what you are asking. Which adviser are you? One that asks questions and has your client give you the DI policy to review, or one that checks a box and hopes your client really understands the importance of the issues? Could you imagine having a doctor ask you for the diagnosis of a medical condition? Even worse, could you imagine a cancer surgeon who refuses to discuss performing life-saving operations on patients because the surgery is "strenuous" or perhaps not as "interesting" to the surgeon as perhaps another type of surgery. As advisors, it's important to see the plan and discuss with your client the best way to protect himself in case a disability was to prevent him from

working.

As you initiate a conversation about IDI with your client, you may ask questions to help your client see the need. You may ask, "What is the longest number of vacation days you've ever taken?" Most clients will say two weeks or possibly slightly longer. When you ask the reason they didn't continue on vacation, the answer typically is that they had to get back to work.

The statistics are staggering and should give any advisor or client important reasons that disability insurance should be at the forefront of any plan. In addition, the plan and products should be reviewed in detail every few years. Too many clients and unfortunately too many advisors do not take these statistics to heart:

Just over one in four of today's 20 year-olds will become disabled before they retire. (*Disabilitycanhappen.org Council For Disability Awareness*)

Approximately 90 percent of disabilities are caused by illnesses, not accidents. (*Council for Disability Awareness 2013 Long-Term Disability Claims Review*)

The Top five causes of disability claims that last longer than six months (*Council for Disability Awareness 2015 Long Term Disability Claims Review*):

- Muscle/bone disorders (28.6 percent)
- Cancer (15.1 percent)
- Accidents (10.3 percent)
- Cardiovascular (8.7 percent)
- Mental Disorders (8.3 percent)

A 2014 study of consumer bankruptcy filings identified the following as primary reasons (*Disabilitycanhappen.org Council For Disability Awareness*):

- Medical bills (26 percent)

- Lost Job (20 percent)
- Illness or injury on part of self or family member (15 percent)

The average Social Security Disability Income (SSDI) benefit as of January 2018 was \$1,197 per month. (*Disabilitycanhappen.org Council For Disability Awareness: Social Security Administration, Monthly Statistical Snapshot, February 2018*)

That \$1,197 above equates to \$14,364 annually – barely above the poverty guideline of \$12,140 for a one-person household, and below the guideline of \$16,640 for a two-person household. (*Disabilitycanhappen.org Council For Disability Awareness: ASPE, Poverty Guidelines 2018*)

Only 48 percent of American adults indicate they have enough savings to cover three months of living expenses in the event they're not earning income. (*Disabilitycanhappen.org Council For Disability Awareness: Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2016 (PDF), page 26.*)

Numbers don't lie. The more you talk about disability planning, the more clients will want to have a plan. Most plans involve disability insurance, but even if your client was unable to obtain the insurance due to various medical or financial reasons, at least the planning process took place and you have the opportunity to create alternative plans. How many clients have you discussed IDI with over the years? The training and opportunity is there, you just need to reach out to an IMO agency like ours or a few of the companies that specialize in offering training for disability insurance. 🌐