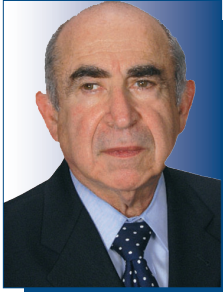


## Disability Insurance Insights...



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# Vaccinate Your Client's Income With Disability Insurance

While vaccines are on the top of everyone's mind, it is a good analogy for disability insurance and your client's income. If you look at the science and facts available, every planner and insurance life, health, group, and property/casualty producer should have this conversation with their working clients.

Statistics:

More than one in four of today's 20-year-olds can expect to be out of work due to a disability for at least a year before one reaches normal retirement age.<sup>1</sup> While this is a fact you may have heard in the past, let's take a deeper look at some other ages:

Chances of having a disability from work prior to age 65, that would last three months or longer:<sup>2</sup>

Age 35: 22 percent or approximately one

in four and a half people.

Age 40: 21 percent or approximately one in five people.

Age 45: 20 percent or approximately one in five people.

Age 50: 18 percent or approximately one in five and a half people.

We just don't know how long these clients will stay disabled. Does the length of disability really matter though? If we were able to plan based on hindsight, then yes, but we plan using known assumptions and projections and then adjust our planning as facts become more known. If a client were to become disabled, would we plan for the disability to last a year, three years, five years, or indefinitely?

Financial Devastation and harm:

- A 2014 study of consumer bankruptcy

filings identified the following as primary reasons: Medical bills (26 percent), lost job (20 percent), illness or injury on part of self or family member (15 percent).<sup>3</sup>

- Two-thirds of working Americans (63 percent) couldn't make it six months before financial difficulties would set in—and 14 percent said they would have problems immediately, according to the *2020 Insurance Barometer Study* by Life Happens and LIMRA.
- Per the survey of those that have experienced a serious illness, 42 percent of those between ages 18 to 64 used up most of their savings. Twenty-nine percent of those surveyed were having problems paying for basic necessities like food, heat, or housing.<sup>4</sup>

Cost for a disability policy versus not having a disability policy is subjective, as there are real costs and intrinsic costs. When someone doesn't have disability insurance and an extended disability occurs, the real costs are devastating and, in some cases, it

can cause financial ruin. The intrinsic costs of not having a plan in case a disability occurs are multiple, from financial strain on the family, to possibly needing to move to lower cost housing, to the psychological effects on those who find their net worth quickly dwindling. In addition, when a disability occurs not only does one's income become affected, but usually additional expenses occur as well. This inverse ratio of income and expenses that many experience can cause more pressure on an already fragile dichotomy. The premium for a disability insurance policy will vary based on how much coverage is purchased. We find that most case designs resonate best with consumers when the cost of the policy is about two percent, give or take, of one's annual income.

Obviously, with COVID-19, we've seen some of our fellow citizens and neighbors become seriously ill and unfortunately there have been hundreds of thousands of deaths as well. The toll has been staggering, but most are confident that the vaccines should

help to curtail and eventually end this horrible pandemic. With COVID-19, we've also seen reports of the staggering physical disabilities occurring as well, which has compounded the adverse effects on many individuals' financial wellbeing.

Like any type of proactive action, having a client obtain disability insurance can be an essential part of providing protection for a client and his family. At the end of the day, the cost of not having a disability income policy can be devastating and for those who ended up needing the protection the cost was trivial. 🌐

#### References:

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