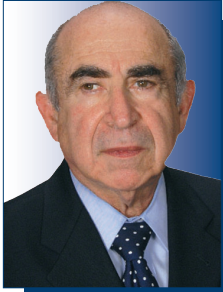


## Disability Insurance Insights...



**EUGENE  
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*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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# Death, Disability, And Taxes: The Three Things You Can't Avoid That Need Planning

As we head into tax season, we are often reminded about the insurance products that we all sell and some general tax principles. When it comes to taxes, we always need to remind clients that we are not accountants and that any individual tax advice needs to be given by the client's accountant. With that being said, let's move on to death, disability, and taxes. Wait, isn't the phrase, "death and taxes?" Why include disability in that well known saying?

When it comes to Merriam-Webster's definition of "disability" you'll see it says: "a physical, mental, cognitive, or developmental condition that impairs, interferes with, or

limits a person's ability to engage in certain tasks or actions or participate in typical daily activities and interactions." Note, disability insurance policies have very precise definitions of what is considered a qualifying disability for a claim and will be different than the Merriam-Webster's definition. We all know the famous expression that you can't escape death and taxes, but given the dictionary definition of a disability, you can't escape that as well. Before anyone passes, they will experience some sort of disability per the dictionary definition. What we don't know is how long the disability will last before your client's passing. It could be a few minutes, a few hours, a few days, a few

months, a few years, decades, or for the rest of your client's time on this great earth. We just don't know and with major risk and liability on things we can't predict, we need to plan.

Remember, need motivates action. You need to ask the right questions to expose the need for the client. Each client may be in different stages of planning as well. Take your clients who are just starting off in their career journeys. Those without children or other dependents may not be thinking about life insurance and some of the other products we typically sell. Yet, many of these individuals have built up fixed obligations that would be due regardless of whether they work or not. Let's say your client's daughter is 29 years old and is a young veterinarian who is a couple of years into working. She most likely, at a minimum, has rent, car payments and the appropriate insurance, credit card bills and possibly student loans. If this client were suddenly diagnosed with MS or had a car accident, those fixed expenses would still need to be paid. Having a comprehensive individual disability plan would be essential for not only her but probably for her parents too.

Need motivates action! Take another client or child of a client who is married and possibly has a child and/or one on the way. Whenever we hear a longtime producer tell us about how they have a client who is going to be a first-time

grandmother or grandfather, it reminds us of the planning that is needed. Let's take the same client mentioned previously and instead of her being 29, she's now 35 and married to an attorney and they have a child. With the couple's joint income probably being perhaps a couple hundred thousand, their expenses will likely have surely increased as well—a new home, a mortgage, two cars, childcare, property and casualty insurance premiums, utility bills, food, and so many other expenses. Most of these younger professionals can be classed under the acronym H.E.N.R.Y., High income Earners, but Not Rich Yet.

A major disability can have a major effect on these types of individuals and couples. They've assumed more contractual obligations that are almost fully funded by their current income. That's the essence if you think about it. *How much of your expenses and obligations are purely supported by the income you produce?* If you can't produce the income, how are those obligations going to be paid?

As we fast forward even more, take the same couple who is now in their late 40s/early 50s. Now they have three children, two in high school and their youngest just starting middle school. While this couple has been saving in earnest, the expenses keep on coming in faster than their incomes and savings are growing. Just over the horizon some of their largest

expenses are coming up—college costs that the couple is planning to pay for their children. Again, a major disability to either of these individuals can cause a major derailment to their intentions and planning. Need motivates action. This couple needs to make sure that if one of them has a qualifying disability, they have disability insurance.

Changing the scenario a little, say that each one of these professionals also decided to open up their own professional practice along the way. So, our veterinarian now has her own practice and her husband, the attorney, now has his own practice as well. Those practices come with their own expenses and obligations. Each firm needs a location to practice, so rent or a mortgage, utilities, staff to support the main purpose of the practice, and other expenses. This is why a cogent adviser would also recommend these clients each own a business overhead expense policy. This business type of disability policy is designed to help protect these types of clients from many of the business expenses they have most likely personally obligated themselves.

Look in your files and take note when you have these types of clients. Needs based selling is the only selling we recommend, so when you have clients like these, remember to reach out to your disability MGA for quotes, education, and how to process with ease. 🌐