



EUGENE  
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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, LTCI, 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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Cohen has served on carrier advisory boards and organization boards of directors. He is a member of the Risk Appraisal Forum.

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## Disability Insurance Insights...

# Disability Insurance, The Key To Making Prospects Into Clients

For many advisors, life insurance recommendations will come before disability insurance is recommended. There are countless reasons to advise clients to buy life insurance, from accumulation to estate planning to income replacement...dozens of reasons. When discussing life insurance with clients that are either single with no children or married with dual incomes, but still no children, the overt need for life insurance may not resonate with these clients. As advisors we can recite emphatically the reasons these clients should buy life insurance, but the ultimate decision rests with our clients.

We find that more times than not, for these clients, disability insurance tends to resonate more consistently. The facts are there... One out of four individuals in the workforce will become disabled for 90 days or longer before turning age 65. In a meeting we just attended, an advisor stood up and stated: "I have an easier

time discussing disability insurance to my younger clients, that do not have kids, then talking about life insurance. A disability can affect them personally as opposed to passing away."

### The Market

We can make the argument that everyone who works needs disability insurance. There's no doubt about it. We find though that certain markets have a tendency to buy more frequently than others. The buying plane tends to follow a trajectory with one's income. This is not to say that the need is any less in the lower income markets, nor to say there are not products that can be designed for the lower income markets. It's more of a function of affordability and comfort for a client to buy disability insurance in addition to their other fixed monthly expenses. You want to create a list of your clients/prospects and then rank them by the estimated Income, highest to lowest. Then list their

occupations next to the estimated income. We tend to see a higher buying response when you have clients that have higher incomes (\$75,000+)—they are self-employed or a professional (accountant, attorney, dentist, physician, etc.) and are between ages 30 and 55. There are clients that are outside of these parameters that make great disability cases. In addition, many clients outside these parameters have tremendous need for disability insurance as well.

#### **Understanding the nature of fixed expenses**

If you accomplish anything in your discussion about income protection, it's important to have your client understand and acknowledge that there are fixed expenses that need to be paid every month. Fixed monthly expenses are an interest-

ing topic as most clients, regardless of income, have some similar fixed expenses. The utility companies, grocery store, car insurance company, and many other expenses are not a function of income, but of usage. Therefore, if you had your client run through their monthly fixed budget, it's very hard to find one less than 2,500 a month. Depending on the geographical area, the average may be much higher—closer to \$4,000 a month or more. You can find a monthly budget calculator on websites like Life Happens ([www.lifehappens.org](http://www.lifehappens.org)) or the Council for Disability Awareness ([www.disabilitycanhappen.org](http://www.disabilitycanhappen.org)).

The best way to do this exercise is to start with yourself. What is your monthly fixed budget? I'm guessing it's more than \$4,000 or \$5,000 a month, and probably much more.

Once your client understands their fixed expenses and the necessity to have these paid every month, regardless of whether someone works or not, it becomes easier for them to understand why people buy insurance to protect their income. It's up to you how you present this product. The natural method for many advisors is not what we find to be the most successful method.

Start with need—why other clients buy this product. Discuss why we all work, concentrate on the fixed expenses we need to pay every month, and *then* move to the products. There are many individual disability insurance products in the marketplace, but a client has to understand the need first and why this product is such an important planning tool.

Your success in this market starts with you. 