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Protecting Your Most Valuable Asset



By Brad Creger – President & CEO, BFF Financial, Inc.

Now that tax season is over, we turn our attention to other financial priorities. Some of us own income properties and income-producing investments, but for most Americans the tax bill was mainly derived from wages. I ask a simple question... what do you consider your most valuable asset?

Is it your house? Your business? Most people intuitively understand that although these assets are “valuable” – they are not your most valuable asset. For those still working the ability to earn an income is our most valuable asset.

Many people would be unable to pay their bills, care for their family or save for retirement if their income were to stop. Many have also heard that the risk of becoming disabled is much greater than the risk of premature death. This is true but the statistics are interesting.

Cancer continues to be a leading cause of long-term disability claims, but interestingly normal pregnancies are the leading cause of short-term disabilities. I don't consider a planned absence due to a normal pregnancy as a “disability” but many disability policies do.

Because Parkinson's forced my father to retire at age 51 and my brother suffered a career-ending back injury at age 31, I personally view “disability” as the inability to work for the remainder of one's life. However, proper disability planning includes being able to withstand short-term disruptions to your income.

So the \$64,000 question... If you understand your ability to

earn an income is your most valuable asset, what have you done to protect yourself and your family?

Due to my family experience with disability I view the need to protect one's income with some urgency that other financial professionals may not share. However, I do not recommend simply buying a disability policy alone as there are many additional ways to protect yourself that cover other financial contingencies as well.

Notwithstanding individual circumstances, I typically recommend having a multifaceted approach to disability planning which includes building a cash account and having a home equity line of credit as both can cover monthly expenses for shorter disabilities (or an unexpected job loss). Disability insurance is the best way to cover the longer and/or life-long disabilities.

I have also incorporated what is called “critical illness insurance” into my own disability planning. Critical illness insurance will pay me a tax-free lump-sum of money if I am diagnosed with certain illnesses including cancer. Since cancer remains the leading cause of long-term disability, having a large amount of tax-free money would provide me the ability to take some time off to focus on getting well.

The most likely scenario during a long-term disability is rising expenses (medical and other bills related to the injury or illness itself) and falling income because you aren't working. Unfortunately, for most people rising expenses plus falling income equals trouble especially if played out over several years.

While life insurance is for your family, disability planning is done primarily to protect yourself. However, the one thing I can tell you from personal experience is that the effect of a disability can be as equally devastating on the spouse (and kids) as it is on the one suffering from the illness or injury. This is especially true if financial concerns are added into the mix. If you haven't reviewed your disability planning recently – do it both for you AND your family.

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700 North Central Ave., Suite 235
Glendale, CA 91203
main: 626-795-9600 x101
888-908-4BFF
facsimile: 626-795-9995
direct dial: 626-376-9777
brad@bfffinancial.com
www.bfffinancial.com
CA Insurance Lic.# 0B22199