

The Importance of Disability Income Insurance

Many of us would rather not think about what would happen if we became unable to work for a period of time due to an unexpected illness or injury. Perhaps it's easier to believe this could never happen. However, the statistics tell a different story.

According to the Council for Disability Awareness (2013), just over one in four of 20-year-olds today will become disabled before they reach their full retirement age. More than 37 million Americans are classified as disabled, which is approximately 12% of the population. More than half of those individuals are between the ages of 18–64. Moreover, the average individual disability claim lasts more than 31 months.

Disability income insurance can play an important role in your overall financial well-being by helping to protect your most valuable asset—your ability to earn an income. In exchange for purchasing a policy and paying periodic premiums, the insurance company would pay you a predetermined benefit amount if you sustain a qualifying disability that prevents you from working.

In order to obtain the appropriate amount of disability income insurance, review any coverage you already have in place. For instance, you may have some type of disability insurance coverage through your employer. If so, find out if the coverage is short-term and/or long-term, what the benefit amount is per type of coverage, and how long benefits last. This information can help you determine if additional insurance is needed to help cover expenses for housing, automobile(s), utilities, food, clothing, education, etc.

If you are self-employed, carefully examine how a disabling injury or illness could affect you, your family, and your business. In addition to any group disability coverage, your business may also have workers compensation insurance, which is required of employers in most states. Keep in mind that workers compensation only covers disabilities that occur on the job. But, disability income insurance can help supplement your other coverage sources. In addition, you may want to consider business overhead expense (BOE) insurance to help cover business expenses and other continuing fixed costs, such as utilities, rent, and equipment leases, should you sustain a qualifying disability under the terms of the policy.

Since disability income insurance helps protect your potential earnings, it is an important part of your overall insurance program. Individual policies can be tailored to your individual circumstances. Because features and benefits vary widely from one policy to another, be sure to consult a qualified insurance professional to determine an appropriate amount of coverage.

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