

May Is Disability Insurance Awareness Month

Do you really want to live without this coverage? If you forgo it, you may pay a high price.

Provided by Michael G. Krum

Disability insurance is an important insurance coverage that most people lack. Many people think of it as optional – when they think of it at all.

Have you thought about it? If you are a parent or a head of household, you should. The odds of a disability are not that long. The Council for Disability Awareness, a non-profit research and education group, estimates that roughly a quarter of today's 20-year-olds may become disabled at some point in their working lives.¹

If you are a breadwinner going without disability insurance, are you taking a risk? Suppose an injury stops you from working for months or years. Even if your household benefits from two or more incomes, the financial hit could be significant. It could lead you to borrow to make ends meet. It could direct money away from college saving, retirement planning, or a small business toward your household expenses. Medical costs related to the injury or disability might drain your bank or retirement accounts.

The economic shock may be even more pronounced if you are single and self-employed. How long could you last without a paycheck?

Disability insurance benefits can help you compensate for lost income. Short-term disability coverage (commonly six months or less) pays you around 60-70% of your base salary; there may be a dollar cap on monthly payouts. Long-term coverage usually pays you around 40-60% of your base salary; payouts often begin after a 90-day waiting period. They can be made to you as long as you are disabled, until you retire, or the term of the policy ends.²

How affordable is this coverage? Very. Annual premiums are usually 1-3% of your yearly income. As with life insurance coverage, age, health, occupation, and gender are the major variables affecting policy premiums.²

Yes, some employers sponsor short-term disability coverage. (California, New York, New Jersey, Rhode Island, Hawaii, and Puerto Rico require employers to offer it.) This coverage may apply even if the worker's disability is unrelated to his or her job. The term of coverage is often too short, however – it can be as short as nine weeks. As the CDA notes, the average long-term disability incident lasts 34.6 months.¹

Wondering about Social Security Disability Insurance (SSDI)? To receive any of that, you must first meet the Social Security Administration's definition of "disabled" – and cash benefits are typically only granted to those unemployed a year or longer. If you can perform any other kind of work, your chances of getting any SSDI may be slim.^{3,4}

What about workers' compensation insurance? That is a form of disability insurance, but it only pays out if the injury or disability occurs on the job. Most long-term disabilities do not stem from work-related injuries.²

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Citations.

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