



YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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CA Insurance Lic#

Small-Business Owners, Disability Insurance Protects Your Biggest Asset

If you are like most small-business owners, you have probably insured your life, your business, your house, and your medical needs. But what about your ability to earn a living?

Doing without long-term disability coverage can be risky business for entrepreneurs. Why? Because disability insurance policies protect a critical asset -- your income. If you were to become disabled even for a relatively short period of time -- say a year or two -- the combination of lost income plus the cost of coping with your disability could represent a significant financial hardship. Not convinced? Consider these statistics:

- Just over one in four of today's 20-year-olds will become disabled before reaching age 67.¹
- More than 50% of disabled Americans are in their working years, from 18 to 64.²
- A typical, healthy, nonsmoking 35-year-old male or female has a roughly one-in-five chance of becoming disabled for three months or longer during his or her working career. Further, each has a 38% chance of the disability lasting five years or longer, with an average disability lasting 82 months.²

If you were unlucky enough to become one of these statistics, your family could be forced to shoulder the burden of your potential disability alone.

Issues for Business Owners

You should be aware that certain factors can affect an entrepreneur's ability to get disability insurance. For example, those who work at home may find it more difficult to obtain coverage because injuries tend to occur more often in a home setting rather than in an office environment. Further, some insurance carriers won't issue policies for owners of new companies who don't have a two-year earnings history with their enterprise.

In general, your ability to obtain coverage, your premium payments, and potential benefits will depend on your line of business, your salary, your age, and your medical history.

What to Look for in a Policy

If you are considering disability insurance, keep these factors in mind as you review policies:

- How does the policy define a disability? The most comprehensive policies become effective if you can't earn a living in your profession, although you typically can obtain lesser coverage if you become unable to do any job.
- How long must you wait before collecting benefits? Many policies have a waiting period ranging from several months to two years. Typically the longer the waiting period, the less expensive the policy will be.
- How much of your income will the coverage replace? Approximately 60% to 70% of total taxable earnings is typically replaced, although caps apply for certain occupations.

Because small-business owners have special concerns, it is recommended that they obtain professional advice about policy options before they make any purchase decisions.

¹Social Security Administration, "Fact Sheet," April 2, 2014.

²Council for Disability Awareness, "Disability Statistics," July 2013.

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