



**DMK**  
Advisor  
Group, Inc.

## DISABILITY INSURANCE PROTECTION

### MAIN OFFICE

Ballantrae Professional  
Office Park

17961 Hunting Bow Circle

Suite 102

Lutz, FL 33558-5374

813.996.6100

800.983.4448

[info@dmkadvisorgroup.com](mailto:info@dmkadvisorgroup.com)

### VISIT US ONLINE AT

[dmkadvisorgroup.com](http://dmkadvisorgroup.com)

Most of us understand the importance of insuring our lives, our health, our cars, and our property. But only three out of ten American workers insure their ability to earn a living. And yet, for much of our lives we face a greater risk of a life-altering illness or injury that keeps us off the job than we do of death.

### THE HIGH COST OF A DISABLING INJURY OR ILLNESS

If, like more than 70 percent of Americans, your family lives from paycheck to paycheck, then it doesn't take much imagination to realize the devastating impact that a serious injury or illness can wreak on your family's finances. Yet, even the healthiest among us face a hidden risk: that a sudden injury or illness may strike and keep us from earning a living. Just consider these disturbing facts:

#### YOU'RE AT GREATER RISK THAN YOU MIGHT IMAGINE

- Three in 10 workers entering the work force today will become disabled before retiring. *Social Security Administration, Fact Sheet January 31, 2007*
- An illness or accident will keep 1 in 5 workers out of work for at least a year before the age of 65. *Life and Health Insurance Foundation for Education, November 2005*
- One in 7 workers can expect to be disabled for five years or more before retirement. *Health Insurance Association of America, the New York Times, February 2000*
- Over 51 million Americans -- or 18 percent of the population -- are disabled. *U.S. Census Bureau, Public Information Office, November 2008*
- Every second an American experiences a disabling injury. *National Safety Council, Injury Facts 2008 Ed.*

#### THE HIGH COST OF A DISABILITY

- Unexpected illnesses and injuries cause 350,000 personal bankruptcies each year. *"Illness and Injury as Contributors to Bankruptcy," Health Affairs, February 2, 2005*
- The average long-term disability absence lasts 2.5 years. *Commissioner's Individual Disability Table A*

- Disability causes nearly 50% of all mortgage foreclosures. *Health Affairs, the Policy Journal of the Health Sphere, 2 February 2005*

#### FEW SOURCES AVAILABLE TO HELP SEE US THROUGH

- More than 70% of the private sector workforce has no long-term disability insurance. *Social Security Administration, Fact Sheet January 31, 2007*
- Just \$1,004 a month is the average monthly benefit paid by Social Security Disability Insurance (SSDI). *Social Security Administration, Fact Sheet 2008*
- More claims are denied than approved by Social Security and Workers Comp. More than half of the 2.1 million workers who applied for SSDI benefits in 2005 were denied. Less than half - 39% - were approved. *Social Security Administration, Office of Disability and Income Security Program*
- Only a small fraction - 10% - of disabling accidents and illnesses are work related. The other 90% are not, so Workers Compensation doesn't cover them. *National Safety Council, Injury Facts 2008 Ed.*

#### FEW OF US HAVE SET ASIDE EMERGENCY FUNDS

- At least 44% of U.S. families spend more than they earn. *Federal Reserve Board, Survey of Consumer Finances 2004*
- 71% of American employees live from paycheck to paycheck, without enough savings to cushion the financial blow of a disability. *American Payroll Association, "Getting Paid in America" Survey, 2008*

Clearly, we can't count on our employers or the government to see us through the financial impact of a serious illness or injury. Instead it's up to us to find a source of funds to replace our lost income. And that's where disability insurance comes in.

## WHAT IS DISABILITY INSURANCE?

Disability insurance is a specialized kind of insurance protection designed to replace your lost wages when a serious injury or illness keeps you from earning a living. Because disability insurance benefits are not taxable, most plans replace from 45 to 60 percent of your gross income. The features of disability policies vary widely, with the cheapest policies offering the least protection. In general, here are the features we recommend you look for in good disability coverage:



## HOW DISABILITY IS DEFINED

Do you want to receive disability benefits if you can no longer perform the job for which you have been trained or do you only want benefits if you can no longer perform any job? If you're in a highly paid profession for which you have spent years acquiring the necessary education and training, such as a physician or an attorney, then you probably want to receive benefits if a disability keeps you from pursuing your chosen line of work.

## CHOOSE A POLICY THAT OFFERS RESIDUAL BENEFITS

Not all disabilities will keep you completely out of the workforce. You may find that while you can no longer pursue the career for which you were trained, you are able to pursue other employment, but at a lower rate of compensation. In that case, you want a policy that will pay you the difference. A disability insurance policy with residual benefits will do just that, paying you benefits proportionate to your income loss.

## HOW LONG YOU MUST WAIT BEFORE BENEFITS KICK IN

How long -- or short -- a waiting period you select after a disability before benefits begin to be paid will have a major impact on your costs. Most plans require a waiting period of 90 days before benefits start. That means you'll need to have an emergency fund equal to at least 90 days of net income to see you through. If you have a larger emergency fund, however, you can save on your disability insurance coverage by selecting a longer waiting period, such as 180 days.

## HOW LONG YOU'LL RECEIVE BENEFITS

You will also want to select the maximum time your benefits will be paid, subject to the insurer's underwriting guidelines. The most frequently offered benefit periods are two years, five years, and up to age 65. Policies with shorter benefit periods will have lower premiums.

## HOW MUCH DISABILITY INSURANCE DO YOU NEED?

Because disability insurance benefits are tax-free, you don't need to replace 100 percent of your gross income. Instead, most experts recommend a policy that pays out 60 to 70 percent of your gross wages.



## **CHOOSE A NONCANCELABLE, GUARANTEED RENEWABLE POLICY**

Because you don't want to be denied coverage if you become disabled, be sure to buy a noncancelable policy. With this kind of policy, the insurer cannot change your premiums or cancel your coverage as long as you pay your premiums on time. Also, a guaranteed purchase option allows you to purchase additional disability income protection, regardless of your insurability, at a future date.

## **COST OF LIVING BENEFIT**

Your disability insurance may fall short of your needs if benefits don't increase over time with a cost of living rider. This rider will automatically increase benefits to keep them in step with the cost of living once you have been receiving benefits for twelve months. Benefit increases will then occur as needed each twelve-month period thereafter as long as you continue to receive benefits.

## **REHABILITATION BENEFIT**

If you experience a partial disability, you may not be able to pursue your original occupation, but with rehabilitation and vocational training, you may be able to pursue alternative employment. So, consider a plan that offers you rehabilitation benefits that will pay you full disability benefits while you are undergoing vocational training.

## **OPT FOR A POLICY THAT YOU CAN RENEW AFTER AGE 65**

With growing numbers of Americans age 65 and over still working, you may want to consider a policy that will allow you to renew coverage after age 65 if you are still working full-time.

## **CHOOSE A SOCIAL SECURITY RIDER**

In some cases, you may become eligible for social security disability benefits, but it may take several months for your social security payments to arrive. A rider to your disability policy will provide you with income while you await your social security checks.



## HOW WE CAN HELP

On your own, you may find sorting through the myriad disability insurance options a mind-boggling task. But as experienced advisors in the disability insurance arena, we can help you prioritize your goals and find the right policy that delivers the benefits you need to protect yourself and your family. So, if disability insurance is missing from your financial foundation -- or if you want to make sure the protection you have will meet your needs -- give us a call today for a no-obligation evaluation of your disability insurance coverage.

## ABOUT DMK ADVISOR GROUP, INC.

First established in 1993, the firm that would eventually become DMK Advisor Group, Inc. was created to help clients achieve their most cherished goals through personalized financial planning services and a wide range of quality financial products. Today, the firm has evolved to include a team of affiliated financial professionals from coast to coast. Working together, the advisors of DMK Advisor Group offer the expertise, planning techniques, and products to serve businesses, individuals, and families.