

Disability Income Insurance— Solidifying Your Future

Have you ever contemplated the ramifications of an unexpected illness or accident? How would you pay your bills and daily expenses? One way to help protect you against the loss of income that would likely result from a disability is to purchase an **individual disability income insurance policy**.

If a large company employs you, your employer may provide disability income insurance. However, if your company does not provide disability benefits, or you are self-employed, it is up to you to make sure you are covered. One option is to “self-insure” with a savings account. However, even if you save 10% of your salary each year, one year of disability could wipe out many years of savings! You may qualify to receive Social Security disability benefits; however, Social Security benefits will be, in many cases, less than the amount that would be required to pay your regular living expenses.

A smart method of protecting yourself in the event of a disability is owning an individual disability income insurance policy. There are a few key considerations you should keep in mind when purchasing disability income coverage. First, try to purchase a policy that is **noncancelable** and **guaranteed renewable**. With this type of policy, the insurer cannot raise your rates or change your policy as long as you pay your premiums on time.

Second, the definition of disability in your policy should be *carefully* reviewed. The definition of total disability in a policy usually falls into one of two general categories: 1) loss of income; or 2) the inability to perform the duties of your occupation.

Third, when deciding upon a policy, you may also wish to consider additional features that may be optional. One such feature is residual benefits or partial disability coverage that, under specified circumstances, pays a portion of your benefits if you lose a certain percentage of income due to a disability. This option usually comes into play if you become disabled and are only able to earn a portion of your previous income.

Another feature is COLA (cost-of-living adjustments), which can increase your benefits once a year after you become disabled. This feature was designed to help protect your benefits against the effects of inflation during a long-term disability. One feature that may be especially important is the

guaranteed insurability provision, which allows you to increase your monthly benefit even if you incur changes in health that would otherwise prevent you from obtaining additional disability coverage.

Finally, it is important to consult with a qualified insurance professional to determine how disability insurance can become a valuable part of your overall financial plan.

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