

Short-Term vs. Long-Term Disability Policies

There are two distinct types of disability policies: long-term and short-term. In most cases, short-term disability coverage provides benefits for six months up to one year. There are some policies that provide coverage for up to two years. Unlike Social Security, these policies typically pay benefits after a waiting period of 0 to 7 days. This is the type of policy that you're likely offered as part of your employer's benefits package through a group plan. A long-term plan is used to insure against long periods of disability. In many cases, up to age 65, and sometimes for the rest of your life in the event of an accident. Waiting periods for these policies are much longer: typically from 30 days to 2 years. This type of policy is designed to go into effect after short-term coverage has ended. Some employers also offer long-term disability as an additional benefit the employee can purchase. Individual policies can be obtained as well.

Make Sure You Have Adequate Disability Coverage

Check with your employer to see how much, if any disability coverage they provide as a benefit. You may find that they offer a short-term policy that pays upwards of 65% of your income for anywhere from six months to two years. If this benefit isn't provided to you at no-cost, you should check with your human resources department to see if it is an additional benefit. In addition, you should also check to see if your employer offers any sort of additional long-term disability coverage. Again, when you're looking to cut back on premiums, you always want to check with your employer first since they will generally provide group coverage. If they don't, some may provide the coverage through a third party that can set you up with an individual policy. If your employer doesn't offer any coverage, you're self-employed, or otherwise just don't have disability coverage, you should seriously consider the financial consequences if a disability occurred. How long would your savings last? Would you be able to still maintain expenses when losing an income? Would you have to drain your retirement assets? There are serious consequences when losing an income, and disability is the leading cause of bankruptcy and home foreclosure, so it pays to have the piece of mind knowing you won't be out on the street if you become disabled.