

## **The High Probability of Disability**

According to a study done in 1993 by the Unum Life Insurance Company of America titled *Disability management: Costs and Solutions*:

1. In 1990, employers reported slightly more than 60 million lost workdays from occupational injuries and illnesses.
2. Three out of 10 working individuals between the ages of 35 and 65 were disabled for 90 days or longer.
3. Almost one in five individuals between the ages of 35 and 65 will become disabled for five years or more prior to turning 65.
4. For people under age 65, the probability of disability is higher than the probability of death. A 32 year old is 6.5 times as likely to suffer a disability of 90 days or more as he or she is to die.

## **What is Disability Insurance?**

Disability income insurance is designed to indemnify the insured for income lost when they cannot work. If you suffer a prolonged illness or injury that prevents you from doing your job, this insurance is meant to supplement the income that you otherwise cannot earn. These policies can be found through group employer coverage or a stand-alone individual policy.

## **Loss of Income is the Worst Type of Loss**

Think about this. When you get into an accident with your car, or your home is damaged or destroyed, it can be replaced. This isn't to say the loss is any easier to handle, but these policies ensure that the asset is able to be repaired or replaced. If you become sick and need medical attention, medical insurance covers most or all of that expense as well. But what happens when you become seriously injured or sick to where you cannot perform your job? If you don't have any insurance protecting that loss of income, it can be devastating to your finances. How long could you go without income? If you have an emergency fund, hopefully you could make it a few months, but what happens if you are unable to work for three, six, or eight months or more? The loss of income undermines your ability to obtain and maintain all of your other financial needs.

## **I'm Not Worried, Social Security Has Disability Coverage**

This is one of the worst assumptions you can make. Yes, it is true that Social Security has a disability benefit, but there are some major problems surrounding the program. Even if you do qualify for Social Security disability, the benefits are usually not sufficient for most people. What is even more important to consider is the ability to even qualify for benefits to begin with. Social Security uses a very strict definition of disability that says your disability must make it impossible for you to perform "any occupation". If your job requires the use of your legs and you find yourself in a wheelchair due to an accident, don't expect Social Security's

disability to kick in. Since you may have perfectly working hands, arms, and upper body, there are plenty of jobs out there that you could do, so you are more than likely going to be denied.

**To better understand how strict Social Security is when it comes to qualifying, they define disability as:**

The inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. A person must not only be unable to do his or her previous work, but cannot, considering age, education, and work experience, engage in any other kind of substantial work which exists in the national economy. It is immaterial whether such work exists in the immediate area, or whether a specific job vacancy exists, or whether the worker would be hired if they applied for work. To make matters even worse, Social Security disability benefits have a five-month waiting period, otherwise known as an elimination period. Even if you are “fortunate” enough to be qualified for a benefit, you’ll have to wait five months before receiving anything at all, plus the amount you do receive will likely only be a fraction of what your income used to be. That is a situation most people simply can’t afford to be in.

**Social security Benefit Questions**

**Eligibility**

To be entitled to a disability benefit, a worker must:

1. Be fully insured at the onset of disability.
2. Have worked in Social Security-covered employment for at least five of the previous ten years (20 out of 40 quarters). This applies to disability that begins after age 31. If the disability begins before age 31, you must have worked under Social Security-covered employment for the greater of six quarters, or at least one-half of the quarters between age 21 and the age when disability began.
3. Be under Social Security normal retirement age. After normal retirement age, disability benefits become retirement benefits.
4. Have a physical or mental impairment that (1) disables the worker from the performance of any substantial work, and (2) is expected to either be terminal or last for at least 12 months

**Benefits**

A disabled worker who qualifies for Social Security disability benefits is entitled to the full benefit payable until the earliest of the following:

1. The disability ends: benefits are terminated in the second month after the end of disability.

2. The worker dies: benefits are terminated in the month prior to the worker's death (e.g., worker dies in July; no June benefit is paid).
3. The worker attains normal retirement age.

**Spouse's benefit.** Disability benefits for spouses are calculated in the same way as retirement spousal benefits: 50% of the worker's benefit, reduced if the spouse is under normal retirement age. Benefits are subject to a family maximum.

**Child's benefit.** A child who is under age 18, or under 19 if still in high school, is eligible for a benefit amounting to 50% of the disabled worker's benefit, again subject to the family maximum. <http://www.ssa.gov/planners/calculators.htm>

But how much money would you receive even if you do qualify? Well, the Social Security Administration has a few nice calculators .

Go to (<http://www.ssa.gov/planners/calculators.htm>) You will be amazed at how pitiful the benefit would be if you were really unable to work. Go ahead, plug in your numbers and see what it comes up with. I don't know about you, but even in the rare event I was able to qualify for this disability benefit, my life would certainly not be the same while trying to live on a fraction of my pay.