



Ed Gaelick

Protecting Your Most Valuable Asset...Your Ability To Earn An Income

Disability insurance is one of the most overlooked insurance plans. Most people believe there are social programs that will provide them with adequate benefits if they get sick or hurt and are unable to work. You may be an employee in a state with mandatory short term disability insurance but that gives you a maximum of 26 weeks of benefits at an amount that is much less than your income, part of which is taxable. What if you were the business owner? Well, depending on a few factors, you “may be” eligible for benefits. You could apply for long term disability benefits through Social Security but the criteria to qualify are very strict and the majority of applications are denied. Even if you did qualify, the benefit is likely insufficient and may be taxable.

You insure your house, your car, your possessions but it’s easy to forget what got you those things....your ability to earn an income. That is your most valuable asset. Just suppose you got disabled and were unable to work. How will you pay your bills? If you think paying bills is tough now, a disability will not make it easier. Purchasing private individual disability insurance is the answer.

Disability insurance only covers a portion of your income, however since premiums are paid with after tax dollars, benefits would be income tax free. Choose your carrier wisely and you’ll get 1) a non-cancellable contract

which means they can’t drop you, alter your plan or raise premiums, typically to age 65, 2) a policy that is guaranteed renewable and 3) has a strong “own occupation” definition of disability.

There are many components that go into the pricing of the protection. Occupation, age, smoking status, amount of monthly benefit you choose, how long you wait to get benefits (called an elimination period), how long you get benefits for (called a benefit period) and what optional benefits you choose. The beauty of individual policies is you design your own plan to meet your specific needs and budget.

If you are fortunate enough to have a company sponsored Long Term Disability plan through work, you are in a better position than having no coverage, however group policies are not guaranteed renewable, not non-cancellable, offer much weaker definitions of disability, have one size fits all benefits and if paid for by the employer, benefits would be income taxable. In addition, benefits may be offset (or reduced) by other sources of income such as state or federal benefits or workers comp. That is called “integration”. Plus there may or may not be a conversion right to keep coverage individually should your employment terminate. If so, premiums for conversion are prohibitive so those uninsurable would typically be the ones to convert. Other

healthy individuals would be better off purchasing new individual coverage. Again, while group benefits are better than nothing, you’ll end up with a lot less than expected and needed should you go on claim.

Individual disability policies are fully medically underwritten and applicants need to qualify. And qualifying is getting tougher. Consider coverage now while you are younger and healthy. Spend a small fraction of your income to protect the majority of it.

It is important to work with a professional you trust and who understands all the aspects of income protection and who knows what would be the best carrier for you.

In 1985, Ed Gaelick established PSI Consultants, LLC where he specializes in company sponsored employee benefits, business planning and personal insurance. Throughout his career, Ed has received many of the highest professional honors awarded in the insurance industry. His dedication, integrity and fortitude have earned him great respect from his clients, staff and peers.

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