

Disability Campaign.org

What is Disability Insurance?

How insurance works

Insurance protects your finances from unexpected circumstances. For example, flood insurance will help cover the financial expenses you could accrue if your house were to be damaged in a hurricane. The same goes for health insurance or car insurance — helping to protect your wallet from excessive medical fees or from hefty bills after a car wreck. Likewise, disability insurance is a type of protection for your finances were you to become disabled.



Why do I need it?

Disability can happen to anyone, at any time. It is not just the result of accidents or old age. The Social Security Administration reports that, if you are in your twenties, you have 1 in 4 chances of becoming disabled before you retire. According to the 2013 U.S. Census, more than 30 million Americans ages 21-64 are disabled — that's about 12% of the U.S. population!

Risk factors:

- Chronic illnesses (e.g. diabetes, heart disease, high blood pressure, etc.)
- Pain or painful health conditions (e.g. back pain, arthritis)
- Health condition or medication side effects that can cause you to fall (e.g. dizziness, drowsiness, lack of balance, etc.)

- Being overweight, which can reduce your mobility and lead to health problems
- Smoking and excessive drinking
- Jobs where you may be more exposed to accidents, such as carpentry or construction
- Sports, particularly extreme or contact sports
- Long-distance commutes, as they increase your chances of being in a motor-vehicle collision
- Age — the older you are, the more prone you are to fall or develop a disabling condition



If you have any of the following risk factors, consider obtaining an insurance policy to cover your day-to-day and unforeseen expenses in case you were to become disabled.

How is disability insurance different from life insurance?

Life insurance and disability insurance are completely different from one another. Life insurance will be paid to your beneficiaries when you die. While some life insurance policies will have “living benefits,” which you can access before you die, they are likely limited to terminal illnesses. Other life insurance policies, such as whole life insurance, may allow you to take out a loan from the cash value of your policy to pay for your expenses while you’re living, but you must check your specific policy to verify if this option is available to you and under what terms.

Disability insurance, on the other hand, is meant to be used when you are still living. There are short and long-term policies. They pay for a portion of your salary (about 60%) if you were to be unable to work due to a disabling condition. Most policies require documented proof of the disability and a certain period before the policy begins to pay you.



Isn't that why I have worker's compensation?

Worker's compensation only covers injuries or disabilities acquired at your workplace. It doesn't protect you against a disability that results from an incident outside of work, such as from cancer or a car accident, for example.

What about Social Security Benefits?

To qualify for Social Security benefits, you must apply and meet their strict eligibility requirements. The Social Security Administration says the following on their website:



“To receive disability benefits, a person must meet the definition of disability under the Social Security Act (Act). A person is disabled under the Act if he or she can't work due to a severe medical condition that has lasted, or is expected to last, at least one year or result in death. The person's medical condition must prevent him or her from doing work that he or she did in the past, and it must prevent the person from adjusting to other work.”

Note that whereas disability insurance will pay you based off your income, the Social Security Administration does not. There is a cap on how much money you can obtain through Social Security Benefits. In 2015, the Social Security paid an average monthly disability benefit of \$1,165 — barely enough to keep a beneficiary above the 2014 poverty level. For this reason, financial advisors may recommend that you not depend solely on Social Security benefits as your only or primary means of income were you to become disabled.

Talk to your financial advisor

Remember, disability can happen to anyone and at any time. So, don't ignore the benefits that may come with acquiring disability insurance. Talk to your financial advisor and go over your risk factors, as well as how much insurance you need and can afford.

References

“Disability Statistics.” The Council for Disability Awareness. July 3, 2013. Retrieved December 1, 2018 from http://www.disabilitycanhappen.org/chances_disability/disability_stats.asp

“The Faces and Facts of Disability.” Social Security Administration. Retrieved December 1, 2018 from <https://www.ssa.gov/disabilityfacts/facts.html>

Holbrook, Alice. “Why Life Insurance is No Substitute for Disability Insurance.” NerdWallet. March 18, 2015. Retrieved December 1, 2017, from <https://www.nerdwallet.com/blog/insurance/life-insurance-no-substitute-disability-insurance/>

Joni and Friends can assume no liability in the recommendation of any product, service or organization, nor does this constitute an endorsement. The content is not intended to be a substitute for professional medical advice, diagnosis, or treatment. Do not disregard professional medical advice or delay seeking professional advice because of this information. If you have or suspect that you have a medical problem, contact your health provider promptly.

© Joni and Friends, 2018

Used by permission of **Joni and Friends**

P.O. Box 3333, Agoura Hills, CA 91376

www.joniandfriends.org