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Topic: Disability Protection

Most of us wouldn't dream of going without health insurance. The risk of needing care and the cost of getting that care are just too great. How many of us stop to think about the impact of not having the ability to earn a paycheck? Isn't the impact just as great as not having health insurance?

What is the Risk?

Over 90% of Americans are within three paychecks of bankruptcy. Most of us simply do not have substantial savings to cover living expenses if our income is disrupted. Many of us are truly hand to mouth; meaning *any* disruption in income would have a negative impact.

Group Disability Plans

The least expensive method of protecting yourself against loss of earnings is participating in a plan that covers an employer group. True group plans are non-contributory, meaning the employer pays 100% of the premium. Plans can cover short-term disability, long-term disability, or both. One key advantage of group plans is the relaxed underwriting. Generally a group plan will cover all employees regardless of health status. One disadvantage to employees is that claim benefits are taxable.

Voluntary Disability Plans

Voluntary disability plans are often similar to group plans but are contributory. That means employees are paying at least a portion of the premium, and sometimes the entire premium. Voluntary plans provide access to coverage at affordable rates to individuals who otherwise don't have coverage. Buying through the worksite generally results in relaxed or no underwriting. This could allow someone with poor health to access coverage. Voluntary plans can also be individual plans billed via payroll deductions. These plans will likely screen applicants for good health but often add the advantage of portability if an employee leaves employment. Provided premiums are paid with post-tax payroll deductions, all voluntary plan benefits will be tax-free.

Individual Disability Plans

Individual disability plans are generally more expensive and more difficult to qualify for. These plans, however, often have added flexibility, which could be needed when insuring against loss from certain occupations or when supplementing group disability benefits for highly compensated individuals. Individual plans are also important for those who do not have access to a group plan.

Fortunately, there are many disability plans available. For employers, the many voluntary options available make it easy to provide coverage to employees even when company dollars are not available. The important piece is simply getting coverage. The risks of needing coverage and not having it are simply too great. Talk with your insurance broker or consultant to design a plan that works for you.