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## HOW TO PROTECT YOUR EARNING POWER FROM A DISABILITY OR SICKNESS

BY  
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The possibility of sustaining a long-term disability from an accident or illness is something most of us would rather not consider. However, there is a way to protect your family and you should you lose your ability to earn an income. Disability income insurance can play a key role in your overall financial strategy, and it can provide a benefit to help replace a portion of your income in the event of a total disability.

### **Do I Really Need Disability Income Insurance?**

While most people understand the necessity and value of life insurance, many may overlook the valuable role disability income insurance plays in building financial security. How will you support your family and you if you cannot work as a result of an accident or illness? Most cannot rely solely on Social Security to replace lost wages, because you must be severely disabled to qualify for disability benefits. Even then, Social Security doesn't start until you have been disabled for at least six months. Also, Social Security payments are meant solely to be a safety net; these payments will not replace your income dollar for dollar, and may not sustain your current standard of living.

You may be able to "get by" for a few months on your savings, but if the disability is prolonged, you may exhaust most, if not all, of your savings.

The bottom line is that if you lose your ability to earn an income, then it may be hard to make ends meet. Disability income insurance can be a sensible solution to help protect your financial security in the event you become disabled.

### Types of Coverage Available

Depending on your income, the maximum coverage you can buy will typically replace 45% to 75% of your pre-disability earnings. The cost of the coverage will depend on such factors as the risk level of your occupation, your age, your health history, and the scope of coverage. Professionally employed individuals are typically in a lower risk category than those engaged in more physically demanding work. Individual disability income insurance is by application and is subject to underwriting approval.

Note that when you pay the premiums for a disability policy, the payments from the personal disability income policy you receive are tax free. If your employer has a salary continuance plan, or other disability benefits, then you should know the amount of coverage, the waiting period, and the length of payments, so you can coordinate your personal coverage with your employer-provided benefits.

When examining the contract provisions outlined in a potential disability income insurance policy, you should consider these items:

- The definition of total disability. Definitions can include coverage in the event that you cannot perform any duties of your own occupation, or any duties of any occupation. The “own occupation” definition offers better protection, particularly if you are a highly skilled professional.
- A noncancelable clause. The insurance company cannot cancel or change your policy or increase premiums before you reach the age of 65 years.
- Residual disability payments. The policy will pay benefits in proportion to your loss of earnings if you return to work at a less demanding job for a fraction of your former salary.
- Future insurability. This benefit allows you to purchase future coverage without regard to your medical insurability.
- Benefits payable until you reach the age of 65 years.
- A reasonable waiting period. Waiting periods in disability income insurance policies vary. Typical waiting periods are 90 or 180 days. Shorter waiting periods are more expensive than longer waiting periods. Consider your liquidity, sick pay, and any money owed to you, so you can decide how long of a waiting period you can reasonably afford.

It is important to note that there may be an additional premium charged for adding any of the above riders to a disability income insurance policy.

Disability income insurance can help protect your most important asset, your ability to earn an income. Reviewing your disability coverage may help you determine what type of policy would best help protect you and your family.

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### Oast & Hook

Oast & Hook is an elder law firm. We represent older persons, disabled persons, their families, and their advocates. The practice of elder law includes estate planning, investment and insurance advice, estate and trust administration, powers of attorney, advance medical directives, titling of assets and designations of beneficiaries, guardianships, conservatorships, and public entitlements such as Medicaid, Medicare, Social Security, and SSI, disability planning, income tax planning and preparation, bill paying, account management and reporting, care management, and fiduciary services. We also handle litigation involving these issues, such as will contests and estate administration disputes. For more information about Oast & Hook, please visit our website at [www.oasthook.com](http://www.oasthook.com).

Oast & Hook is a Virginia member of the Special Needs Alliance, a nationwide network of disability attorneys. As members of this alliance, we assist personal injury attorneys in resolving their cases to enhance the judgments and awards of their disabled clients and to maintain the eligibility of these clients for SSI and Medicaid. We are experienced in protecting the public benefits of persons with special needs and in assisting with the management of their assets. For more information about the Special Needs Alliance, visit its website at [www.specialneedsalliance.com](http://www.specialneedsalliance.com).

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