



Planning for “*What If...?*”

Tools for Protecting Your Family and Managing Your Assets

Disability Insurance

What Is It? Insurance that pays you a set amount if you are sick or injured and unable to work. Some policies will pay a smaller amount if you are only able to work fewer hours or to work at a job that pays less than your original profession. Disability insurance may replace up to about 2/3 of your pre-disability income.

Who Should Have It and Why?

If your family needs the income from your work to live on, you should consider protecting that income with disability insurance. Check to see how much of your income a policy will replace and how long it will continue to pay you. Also check to see if an employer's policy is convertible to a personal policy if you leave employment.

Terms to Know

Waiting period or elimination period: the time you must wait after the disability occurs until the policy begins to pay benefits

Definitions of disability:

- **Own occupation:** also referred to as *own occ.* You are unable to perform the major duties of your own occupation.
- **Any occupation:** also referred to as *any occ.* You are unable to perform the duties required by any occupation.
- **Modified own occupation:** also referred to as *modified own occ.* You are unable to perform the duties of any occupation for which your education, training, experience and prior economic status qualifies you.

Issues and Limitations

- Disability policies may be expensive. One way to reduce the cost is to choose a longer waiting period, but will you have the cash to cover your expenses during that longer period?
 - You can normally only replace part of your income (up to about two thirds) even though your expenses may go up due to disability. For example, you
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may have to pay for help caring for children or your home. You may have higher medical expenses as a result of your disability.

Ask Yourself

Do I need disability insurance?

Do I have disability insurance? If so:

- What is the waiting period or elimination period?
- For how long will the policy pay benefits?
- What proportion of my salary will the insurance replace?
- What definition of disability does it use?



<http://www.ace.uiuc.edu/cfe/whatif/index.html>

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