

Disability insurance is an often overlooked method

DISABILITY INSURANCE

Protecting your income

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Nearly one in five Americans will become disabled for one year or more before the age of 65, according to the Life Foundation, a nonprofit organization dedicated to helping consumers make smart financial decisions. And the number of workers who become disabled has risen by 35% since 2000, according to the Social Security Administration.

Concerned about being laid off this year? Hey, it's a legitimate worry. David Wyss, chief economist for Standard & Poor's, believes as many as 750,000 Americans will lose their jobs in 2008. That's why financial planners always advise keeping at least six months worth of expenses in a liquid account, like a money market — advice astonishingly few Americans take. Have you ever worried about becoming disabled? Surprisingly, few Americans have disability insurance either, another huge concern.

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Because more Americans know of someone who has been affected by a disability, there is increasing concern about this issue. In fact, a recent survey by Berkshire Life Insurance

found that 25% of Americans are worried about losing their jobs within the next six to 12 months because of weakening economic conditions, while 28% are concerned about losing their income because of an accident or illness that would make them unable to work.

The study also revealed that 41% of employees with 401(k) or similar retirement accounts would be willing to borrow from such accounts to cover lost income.

"Taking money from your retirement accounts before you retire is like robbing yourself to pay yourself," says Larry Hazzard, a senior vice president at Berkshire Life. "It's generally not a good idea to stop contributions to your retirement accounts because you lose out on compound interest and your employer match too."

So what can you do? First, build up that six-month cushion, and make sure it is accessible in a liquid account. Do not invest that six-month cushion in the stock market. You do not want to be in the position of having to sell stocks when they are down.

Next, consider disability insurance.

"If you have the right disability protection in place, then you won't have to worry about liquidating or discontinuing your retirement savings because of a debilitating injury or illness," says Hazzard.

Insurance brokers say many people do not buy disability insurance for fear it is too expensive. They seek to correct what they say is a misconception about the cost of disability insurance.

"Most employees can secure group coverage for just a few dollars each month and then supplement their discounted group insurance with an individual policy," says Barry Petruzzi, an executive in the disability insurance practice with Guardian Life Insurance. "Most employees and business owners can purchase a top-

quality individual policy for significantly less than what they spend on gas each month. The point is, in challenging economic times, it is more important than ever to ensure your greatest asset: your ability to earn an income."

If, in a worst-case scenario, you should become disabled and cannot work, most insurance firms waive your disability insurance premiums until you are able to return to work.

The Life Foundation offers a good online disability insurance calculator: www.lifehappens.org/disability-insurance/disability-calculator. Talk to your financial advisor about the appropriate insurance for this stage of your life. ■

