

Disability can strike unexpectedly, so be prepared

by Jason Alderman

Like many people, I often take my health for granted. I plan to work for many more years, but you never know: Studies have shown that Americans of all ages are more likely to become disabled in a given year than to die, and that nearly a third are likely to suffer a serious disability between the ages of 35 and 65.

People often buy life insurance to protect their families, but it usually only pays a benefit upon death. Workers' compensation pays benefits only if your disability is job-related. And Social Security covers severely disabled people, but qualifying is difficult and the benefits paid are relatively small.

Bottom line: Should you become seriously disabled and unable to work, you could easily wipe out your savings - particularly if you don't have a spouse or partner to support you. Before you actually need it, investigate what sorts of disability coverage you already have and what other options you have available.

Many companies offer sick leave and/or short-term disability coverage to reimburse employees during brief periods of illness or injury. Some also provide long-term disability (LTD) insurance that replaces a percentage of pay for an extended period of time. Check with your Human Resources department to see if you qualify for any of these benefits.

Even if your employer provides LTD, consider purchasing additional coverage, since employer-provided plans usually replace only 40 to 65 percent of pay and it's considered taxable income. But be prepared: LTD insurance can be expensive, depending on plan features, your age, and whether you have preexisting conditions.

Ask if your employer's plan allows you to buy supplemental coverage (their rates are likely cheaper) and check whether any professional or trade organizations you belong to offer group coverage.

A few additional LTD considerations:

Policies that pay benefits only if you can't perform duties of your OWN occupation are usually more expensive than those that only pay if you can't perform the duties of ANY job for which you are reasonably qualified.

Look for "non-cancelable" and "guaranteed renewable" plans, which dictate that the insurer cannot cancel or refuse to renew your policy if you pay premiums on time. Under non-cancelable plans, premiums can never be raised; in guaranteed renewable plans, premiums can go up, but only if the change affects an entire class of policy holders.

Some plans factor any Social Security payments you might receive into your benefit, which lowers the overall

amount paid by the plan.

The longer the waiting period before you're eligible for benefits, the lower the premium cost.

Some policies only pay benefits for two years, while others provide lifelong benefits – most cover somewhere in between. The shorter the term, the lower the cost.

Policies for high-risk occupations cost more than for low-risk jobs.

Read the coverage limitations section very carefully. Many plans exclude preexisting conditions, mental health or substance abuse issues

Practical Money Skills for Life, a free personal financial management site sponsored by Visa USA, offers more information about anticipating unexpected events like disability.

Don't gamble with your future – get the facts now so you can plan accordingly.

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