With the ever-changing landscape of taxes, it is growing increasingly difficult to understand how legislation affects clients and could possibly impact their financial future. As a leader in the financial services industry for the past 30 years, we get it. That’s why HD Vest Financial Services® is constantly seeking ways to share the latest knowledge we acquire with you. We’ve created the Taxes & Investments: Timely and Timeless Strategies Series to share timely information and provide our Advisors and their clients with practical information and ideas they can build on.

Individuals use insurance to protect themselves and their family in many ways - life insurance to take care of their family when they pass away, car insurance to protect their vehicle, or homeowners insurance to protect against the loss of a home, just to name a few. One asset that most individuals forget to insure is their ability to work and earn a wage.

What these people don’t realize is that 1/3 of all individuals between the ages of 30 and 64 will become disabled sometime in their lives¹ and each year 1 in 8 people will suffer from a disability.² To make matters worse for these individuals, due to a strict definition of disability, currently 65% of applications for Social Security disability benefits are initially denied. For those who do meet the strict disability definition, the average monthly benefit received from Social Security at the end of 2014 was only $1,148³, well below what most people need to live comfortably.

What is Disability Insurance?

Disability insurance provides a way for individuals to ensure that should they become ill or injured and are subsequently unable to work, they will still have an income for themselves and their families. The benefits are provided to the insured tax free when paid for with after-tax dollars.

Disability insurance can also be structured to provide a business owner with the necessary business income to continue operations and payroll should they become disabled and are unable to work. It does not, however, provide for the owner’s salary. The owner would need their own personal disability policy to complement the one structured for the business expenses.

Disability Insurance Options

There are several options an individual has when creating their customized disability policy. These options include:
1. **Elimination Period:** This is the period of time the insured must be disabled before they can begin to receive benefits. The shorter the elimination period the more expensive the policy, and vice versa.

2. **Cost of Living Adjustment:** This option increases the amount of your disability benefit by a specified percentage each year. This option is purchased to keep the payments in line with increases in the cost of goods over time. The higher the percentage increase selected, the more expensive the policy.

3. **Future Purchase Option:** This benefit allows the insured to purchase additional coverage at a later date without going through additional medical exams.

4. **Benefit Period:** The benefit period is the length of time the disability payments will be made to the insured. This can range from a couple of years all the way to retirement age.

**Other Considerations**

In addition to the options listed above, an individual needs to understand the difference between “own occupation” and “any occupation” disability plans. An “own” occupation policy would mean that if the insured could not perform their current job duties, they would be considered disabled. “Any” occupation, on the other hand, requires that the insured is not able to perform ANY job for which they are qualified to do. The Social Security definition of disability is any occupation, thus the reason why so many individuals are initially denied.

Disability insurance is an important tool to protect an individual’s working wage. Without disability insurance, individuals may be unable to pay their bills, or business owners without a disability policy may be unable to keep their businesses running while they are unable to work. Currently 82% of American workers have inadequate or no disability protection. Take action to protect yourself by contacting your trusted HD Vest Advisor. Your HD Vest Advisor can evaluate your current situation and customize a disability policy to meet your needs and protect you and your family.

Source:
1Health Insurance Association of America- www.hiaa.org
2National Association of Insurance Commissioners- www.naic.org
3LIMRA International, Inc.- www.limra.com
4American Council of Life Insurers- www.acli.org

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