

Is your income insured?

by AP-News

What if you get sick or hurt and can't work? MEG RICHARDS isn't about to duck the topic of disability insurance. Car insurance? Check. Home insurance? Got it. Life insurance? OK, at least you've considered it. But what if you get sick or hurt and can't work?

Thanks to youth and modern medicine, you're likely to survive whatever ailment or accident befalls you. Your paycheck is another story. For most of us, bills would start piling after just one month without pay. Disability insurance can help cover the gap. Your most valuable possession might be your car or home, but your income is really your biggest asset, said David Woods, president of the Life and Health Insurance Foundation for Education, a not-for-profit organization based in Washington, D.C. This may be "out in the stratosphere" of what you're worried about, Woods said. But younger workers "are very vulnerable ... to a loss of income caused by a disability. Maybe even more so because they don't recognize it and haven't made any plan." Not sure you need it? Here are some things to consider: ___GOOD HEALTH IS NOT GUARANTEED: Time for the nasty numbers: People in their 30s are three times more likely to suffer a disability than they are to die, according to the National Institute of Insurance Commissioners. And data collected by the U.S. Census Bureau suggests one in five Americans will become disabled for a year or more before the age of 65. What's the fallout? Half of all U.S. personal bankruptcies -- that's 2 million people a year -- are attributed to medical bills or illness. And almost half of all home foreclosures are due to disability-related income loss. ___DON'T ASSUME YOUR EMPLOYER HAS YOU COVERED: A major misconception many people have is that if they lose their job to a disability, they'll be covered by worker's compensation. The reality is that you'll only benefit from worker's comp if your disability is caused by a work-related accident or illness. "The first thing you have to look at is what coverage you have and when it covers you," Woods said. "Workers' comp can be good, but if you're not hurt or sick because of a job-related illness or injury, you won't be covered." Some employers do provide group long-term disability, which will cover you if you are unable to do your job because you're sick or hurt, regardless of the cause. You may need to opt in or pay for part of the coverage, so check with your benefits department. More frequently, employers will provide short-term disability coverage, which starts after your sick leave runs out and might last 13 weeks, Woods said. Read the fine print of whatever coverage you're offered and find out exactly what will happen if you ever need it. If you're a job-hopper, an individual policy might be better for you. ___SOCIAL SECURITY ISN'T A GREAT SAFETY NET: It is extremely difficult to qualify for Social Security disability benefits. Roughly 70 percent of those who apply are denied, according to the Social Security Administration. Eligibility depends on a number of factors, including whether you are capable of working at all, not just whether you can return to your previous occupation, and how long your condition is expected to last. Even if you do qualify, it may take five months or more for benefits to begin. The average payout is just over \$800 a month -- enough to put you over the poverty line. ___SHOP SMART: The bottom line is if you rely on your income, you might benefit from disability insurance. The stakes are higher if you're the breadwinner of your household. Think about what you spend every month and then consider the additional medical costs you might have to face if you're sick or hurt. No policy will replace 100 percent of your income, Woods said; 70 percent is usually the maximum you'll get. Individual policies can differ vastly. How is disability defined? Is it the inability to do your current job (sometimes defined as "owner's occupation") or any job at all? Losing a finger might not stop you from living a happy and productive life, but it could end your career as a surgeon. When do benefits begin? This could range from 30 days to a year; 90 days is average. The longer you wait, the lower the price of the policy. Another big cost determinant is how long the benefits will continue once you become disabled -- two years, five years, through age 65 or your lifetime. Insurance of any sort is not easy for the average person to shop for, so it might help to talk with a financial planner. LIFE's online disability needs calculator <http://www.life-line.org/disabilitycalculator> can help you get started.

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2007 Associated Press writer Meg Richards
Meg Richards is an AP business writer based in Washington, DC

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