Do You Need Disability Insurance?

There are many types of insurance programs to manage these days. Yet, one of the programs most misunderstood by employees of companies and small business owners is the need for disability insurance to protect your income. Since there are so many nuances of disability insurance, here are some key questions to ask yourself regarding your personal situation.

1. What percentage of my income will you replace if I become disabled? At most employer programs it will be between 50% and 66%.
2. Will disability insurance cover commissions or bonuses on top of my base? In most cases, your employer will only cover your base salary. If you have a large bonus program or work commissions, you need to really review the fine print of your group policy.
3. What about 401(k) or other retirement contributions? Generally, this is not covered. The big question then is how will you continue to fund your retirement goals?
4. Can the payout go up as my income goes up in the future?
5. Can it go up as the cost of living increases?
6. Do I have a maximum payout that I will make (in dollars) per year, no matter what I earn?
7. Is the payout taxable? If your employer pays for the coverage, then it will be taxable income to you. If you pay for the premium, then it will be tax free to you when you receive benefits.
8. If I can’t return to the job I had before, can I continue to draw payments forever? Until I’m 65? Or some shorter period of time?
9. If there’s a time limit for coverage related to my old job, can I still collect if I can’t work at all, in any job?
10. Will you guarantee that I can renew the policy each year, at the same price? What about at a higher price? If so, is that only until a certain age? It is truly important to have a program that is guaranteed renewable and non cancellable.
11. If I’m paying the premium on time, are there any circumstances under which you can cancel my policy?
12. What if I’m unemployed and can’t pay the premium for a short period of time?
13. Is there a waiting period after you start working for a company that provides disability insurance (or after you buy a policy on your own) before you can make a claim? The big question here is that you need to have an adequate cash reserve if your company program does not have a good short term disability program.
14. Do I have a waiting period after I become disabled before I can start collecting on a claim?
15. Can I pay a smaller premium in exchange for a longer waiting period?
16. I work at home, so what can I do to convince you that my workspace is not hazardous?
17. I work for myself. How much do you need to know about the details of my job and what I do all day in order to underwrite my policy at a decent rate (or at all)?
18. What injuries or illnesses does my policy exclude? If I’ve already been treated for depression or back pain or cancer will you not cover those maladies at all in the future?
19. Does my policy cover some illnesses for a more limited period of time than other conditions?
20. Is it possible to erase some of these exclusions a few years after my policy goes into effect if I don’t come down with those afflictions during that period?
21. Will I need to apply for federal Social Security disability benefits before paying a cent of my claim (and then offset anything you pay with whatever I collect from Social Security)?
22. If I change jobs, can I keep the policy as long as I continue paying the premium?

Most people view a disability with thought in mind of being able to not work at all. With new disabilities such as depression and carpel tunnel syndrome, you really need to review whether your policy covers your own occupation or any occupation as this can be paramount on how much you may be able to collect. If you have never reviewed this, now may be an important time to do this so you can make sure that your financial house is adequately protected.