

A resource for employees



Live the life you love

**A guide to supplemental
individual disability
income protection**

The life we've
built is a life
in motion

Most of us insure our cars, homes and other valuables such as jewelry and collectibles. But have you ever considered insuring what makes all of those things possible?

Income protection is important because income is important. Your income is the foundation of the life you've created so it only makes sense to consider protecting it.

It's common to think we're invincible. However, the reality is, we're vulnerable. Disabilities can — and do — happen.

- Just over 1 in 4 of today's 20 year-olds will become disabled before they retire¹
- 1 in 8 workers will be disabled for five years or more during their working careers²

Accidents are not usually the culprit; Almost 90% of long-term disabilities are caused by illnesses³

- Illnesses such as:
 - muscle, back and joint disorders
 - spine and nervous system disorders (e.g. multiple sclerosis)
 - cardiovascular and circulatory diseases (e.g. heart attack)
 - autoimmune disorders (e.g. lupus, rheumatoid arthritis)

¹ Social Security Administration Fact Sheet, December 2019.

² Commissioner's Disability Insurance Tables A and C, assuming equal weights by gender and occupation class.

³ Integrated Benefits Institute, 2018 Health and Productivity Benchmarking, Long-Term Disability.

What happens if you're unable to work due to a disabling injury or a prolonged illness? How long could you maintain your current lifestyle without earning an income?

A disability can suspend your income for extended periods of time — even permanently. But while your income is suspended, your daily living expenses are not. In fact, expenses can even increase due to the costs associated with being disabled.

Fact: Average duration of a long-term disability: 2.6 years⁴

⁴ Council for Disability Awareness, *The Average Duration of Long-Term Disability is 31.2 Months* (Jan. 2016), <https://blog.disabilitycanhappen.org/the-average-duration-of-long-term-disability-is-31-2-months/>.



Consider what your income makes possible

- Mortgage
- Retirement Savings
- Rent
- College/Child Care
- Utilities
- Food
- Credit Cards
- Clothing
- Auto
- Entertainment
- Personal Loans
- Other

A little push in the right direction

Alternatives for supplementing income

Disabilities can cost millions in lost income and added expenses. There are alternatives for supplementing income, however most alternatives are short-term, unreliable and inflexible. Let's review some alternatives:

- **Personal savings**, refinancing your house or tapping into investments or credit cards could be short-term solutions. Overuse could leave you in a worse financial predicament.
- **Social Security disability benefits** are very difficult to qualify for. Many claims are denied due to stringent requirements that mandate you be catastrophically disabled. Even if you qualify, the average monthly benefit paid is barely above the poverty line: \$1,258.91 a month was the average monthly benefit paid by Social Security Disability Insurance in July 2020.⁵ And that benefit may be subject to income tax.

⁵ Social Security Administration, Monthly Statistical Snapshot, July 2020.

- **Group Long Term Disability (Group LTD)** is a good foundation for income replacement and may be available through your employer. However, depending on your level of compensation, Group LTD benefits may not replace a meaningful portion of your income. Here's why:
 - If your employer pays for your coverage, any benefits received will be taxable, which works to reduce your actual income replacement
 - Group LTD may not cover bonus or incentive income or retirement contributions
 - Group coverage is not individually owned. This means it is not customized to your income or lifestyle needs, you cannot take it with you should you change employers or careers, and it can be cancelled or changed at any time either by the employer or by the carrier
- **Individual Disability Income IDI** protection is by far one of the most reliable and flexible sources of income replacement — and solution that is widely used by professionals concerned about their financial stability in the event of a disability:
 - It can keep your income strong so your lifestyle and future plans can remain on track
 - It can bring your income protection more in line with your income because it is based on your actual income, not that of a collective group or Social Security level
 - Policies can cover base salary, bonus and incentive compensation as well as retirement contributions
 - Benefits are not taxable as long as you pay your own premiums (with after-tax dollars)



Make this about you

Protecting your income — and all that it makes possible — is one of the most responsible decisions you'll ever make. Purchasing a quality individual disability income policy at the workplace can make this decision an easy one.

When Individual Disability Income protection is offered through your employer, you can gain privileged access to features not previously offered through your company's Group LTD coverage or available if you purchased coverage independently.

- Permanent premium discounts that stay with your policy even if you leave your employer
- Fixed rates that are guaranteed not to increase as long as your premiums are paid on time
- Non-cancellable coverage up to the expiration date of the policy, typically age 65, 67 or 70
- Simplified application with no time-consuming medical exams — just three easy yes/no questions:
 1. Have you been actively at work for the past 90 days?
 2. Are you currently disabled or receiving disability benefits?
 3. Are you a U.S. citizen or permanent resident (green card holder)?

Continue the pace you've set for your life

Determining what's right for you is the reasonable next step to help ensure the life you've created and planned for is properly protected.

1. Assess your current income protection situation:
 - Do you have Group LTD through your employer?
 - If so, how much do you have and do you know if it's enough?
2. Evaluate the cost of your lifestyle and your current monthly expenses:
 - Determine how much income replacement you would need in the event of a disability to cover your current living expenses
3. Determine your options:
 - If there's a gap between what you need and the Group LTD income replacement (after taxes), consider your option for supplementing your group coverage with individual disability income protection

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