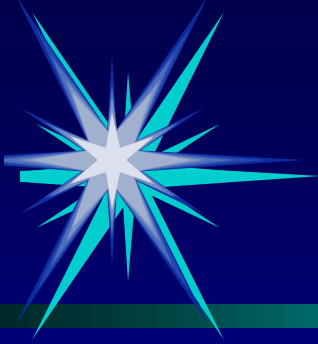


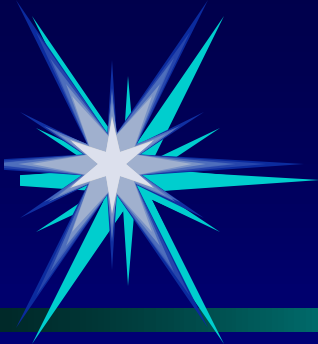
# Disability Income ....

## The Forgotten Need



# DI Statistics

**Leaving It All To Chance**



# Disability vs. Other Events

## **In any single year:**

**Death - 1 out of every 106 people**

**Home fire - 1 out of every 88 homes**

**Serious auto accident - 1 out of every 70 autos**

**Disability - 1 out of every 8 people (at least 8 days)**

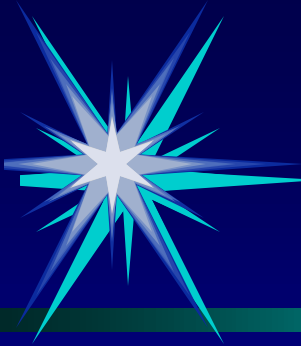
### ***Sources:***

*National Safety Council*

*American Society of Actuaries*

*Commissioners' Disability Table*

*National Center for Health Statistics*

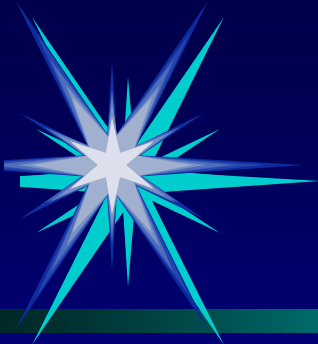


# Causes of Foreclosure

**Disability is 16 times more likely than death to cause foreclosure:**

<u>Cause</u>	<u>All Mortgages</u>
<b>Death</b>	<b>3%</b>
<b>Disability</b>	<b>48%</b>

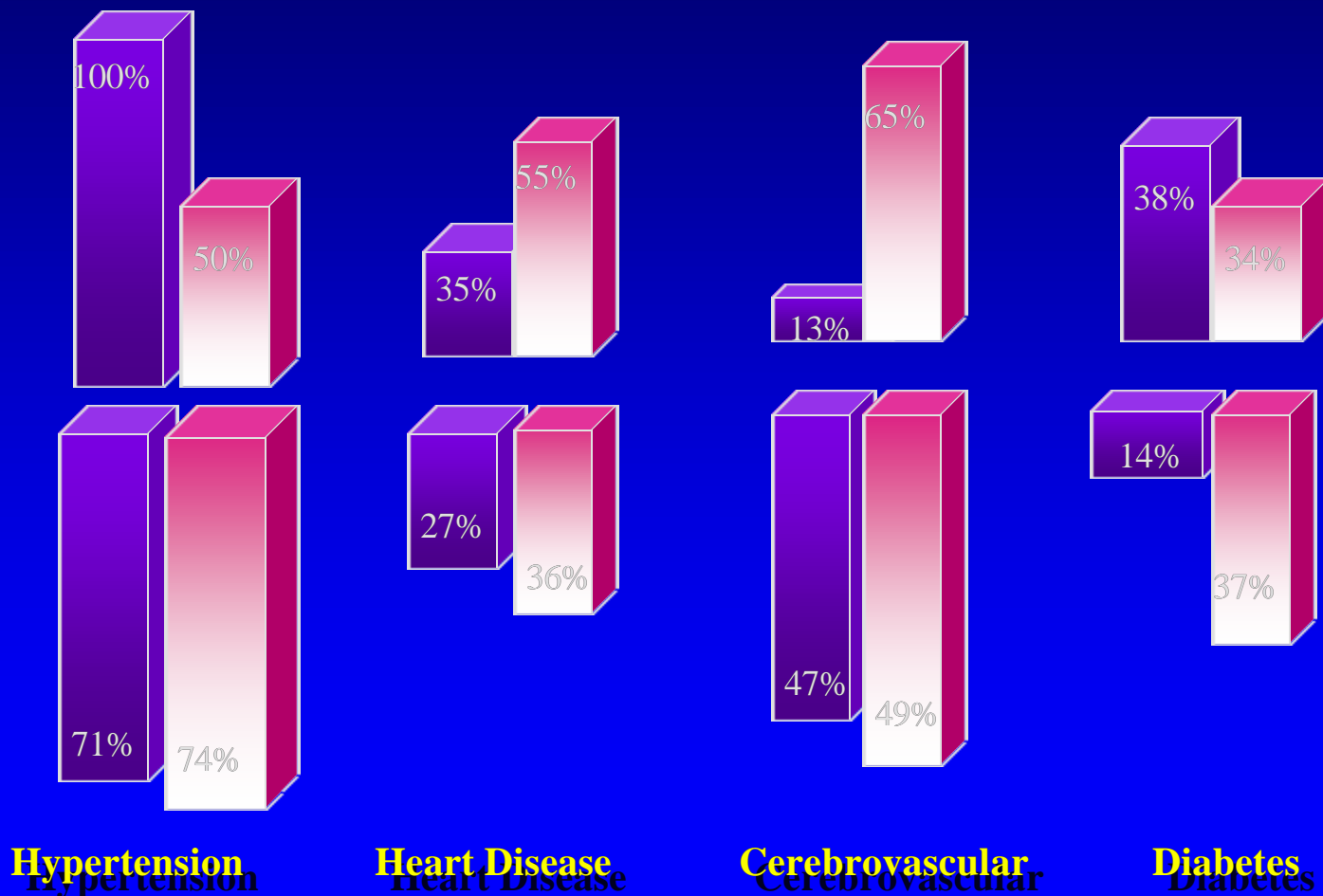
*Source: Federal Housing Administration*



# Many of the conditions that once would have killed people are leaving them disabled instead.

**INCREASES**  
in  
**DISABILITY**

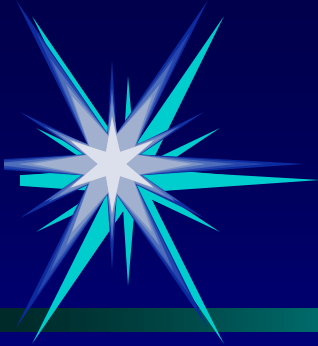
**DECREASES**  
in  
**DEATH**



Source: LIMRA

 **Men**

 **Women**

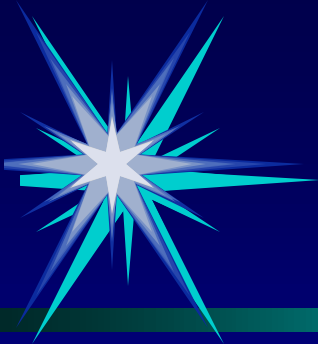


# Chances of Disability

Percentage of people who can expect to suffer a disability lasting at least 90 days before reaching age 65

<u>Age</u>	<u>Percentage</u>	<u>Disabled</u>
25	52%	1 out of 2
30	51%	1 out of 2
35	48%	4 out of 9
40	45%	4 out of 9
45	40%	2 out of 5
50	34%	1 out of 3
55	27%	1 out of 6
60	16%	1 out of 6

*Source: Commissioners' Disability Table*

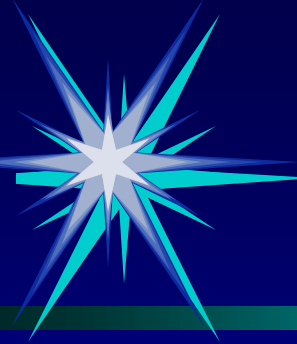


# Chances of Long Term Disability

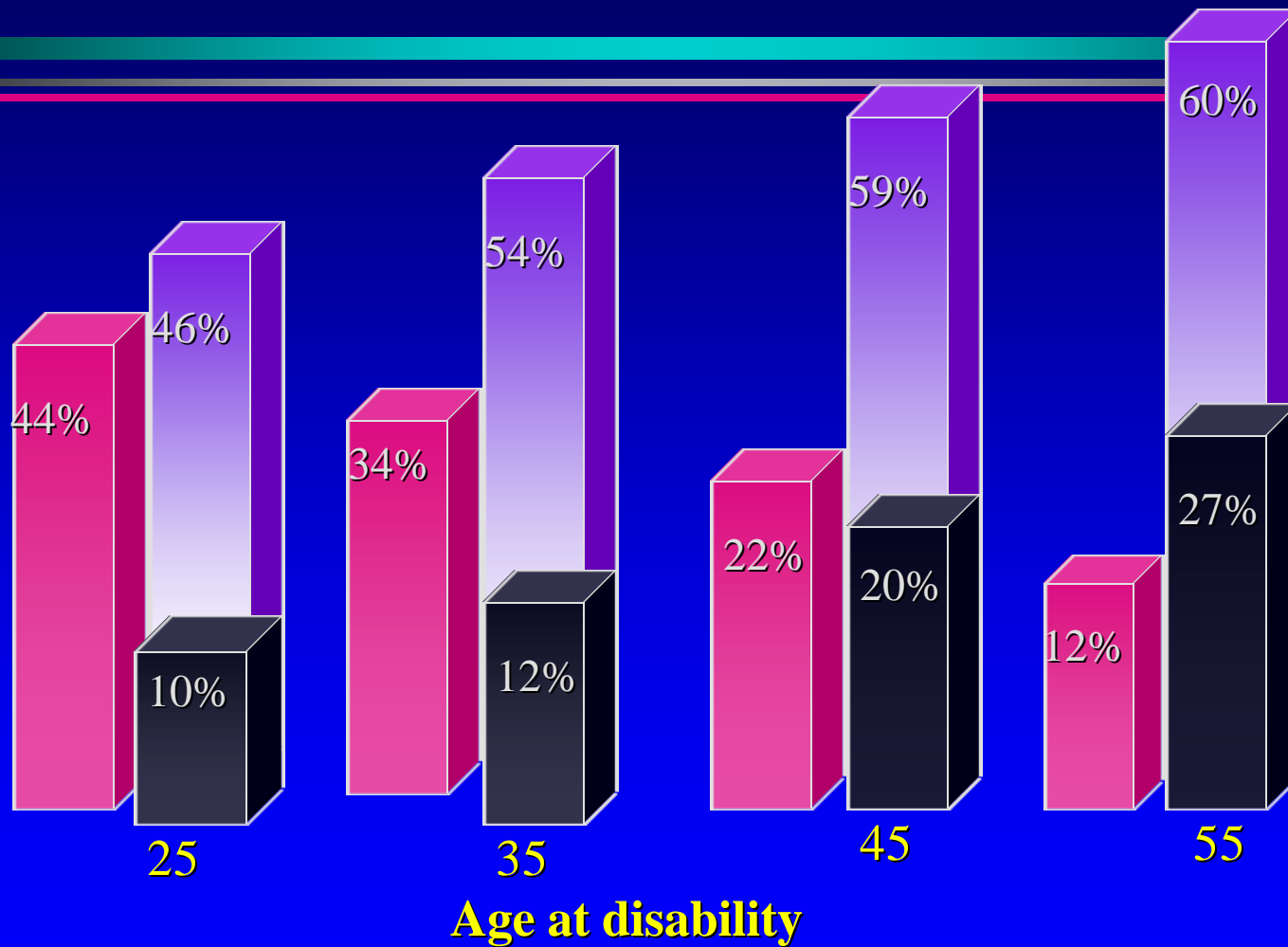
If a disability of 90 days or more lasts two years, it will probably continue longer, even for life:

<b>Age when disabled 90 days:</b>	<b>% still disabled after 2 years and 90 days:</b>	<b>% still disabled after 5 years</b>
<b>25</b>	<b>63.5%</b>	<b>44.2%</b>
<b>35</b>	<b>69.7%</b>	<b>52.6%</b>
<b>45</b>	<b>73.6%</b>	<b>58.0%</b>
<b>55</b>	<b>77.6%</b>	<b>59.6%</b>

*Source: Commissioner's Disability Table*



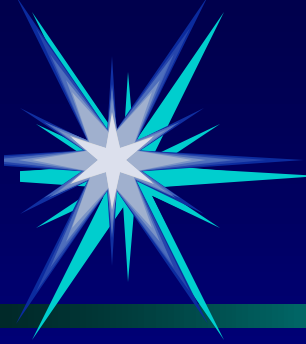
# If Disability has Continued for Two Years- at the End of Five Years ...



■ Will have recovered      ■ Will have died      ■ Will still be disabled

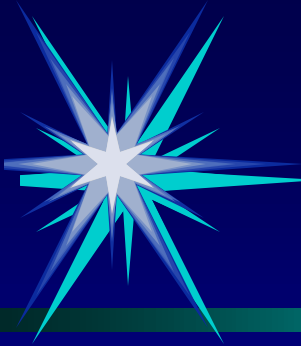
Source: *Health Insurance Matters 1992*





# The Need

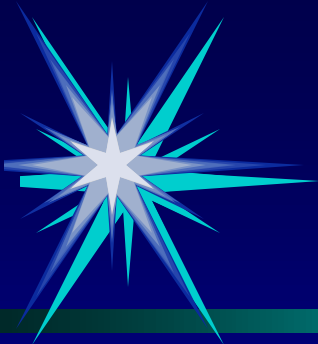
**Popping the Question**



# Social Security Facts

## Definition of Disability

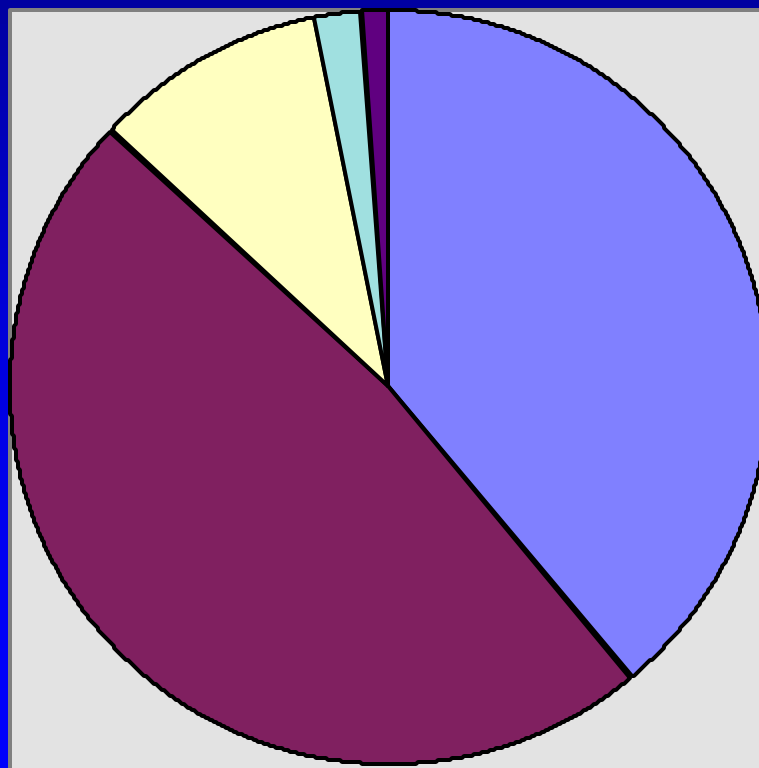
**Inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which has lasted or could be expected to last for a continuous period of 12 months or result in death. Impairment must be so severe that individual is unable to engage in substantial gainful work that exists in the immediate area in which applicant lives; a specific job vacancy exists; applicant would be hired.**



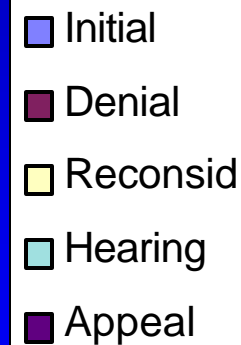
# Social Security Facts (cont.)

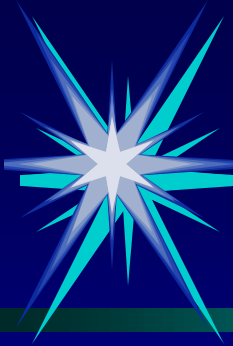
## Strict Requirements

Average Benefit: \$570/month



## Denial Rates





# Personal Insurance

**If Your Three Most Valuable Assets Were Worth:**

**\$20,000**

**\$200,000**

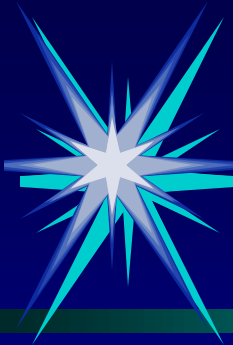
**\$2,000,000**

**Which Would You Insure?**

**Do you have your car insured?**

**Do you have your home insured?**

**Doesn't it make sense to have your income insured?**



# Comparing Insurance Costs

**House value =** **Odds: 88-1**

**Homeowners premium =**

**Ratio: premium to value (coverage) =**

**:**

**Car value =**

**Odds: 70-1**

**Automobile premium =**

**Ratio: premium to value (coverage) =**

**:**

**Life ins. face amount =**

**Odds: 106-1**

**Life ins. premium =**

**Ratio: premium to face amount =**

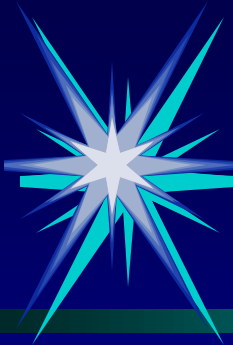
**:**

**Lifetime DI benefit =**

**Odds: 8-1**

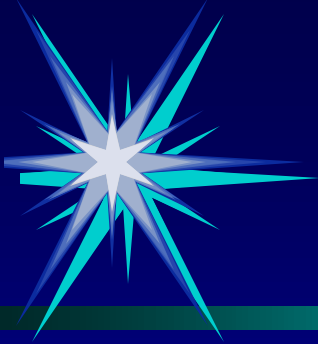
**DI premium =**

**Ratio: premium to benefit =**



# Potential Earnings to Age 65

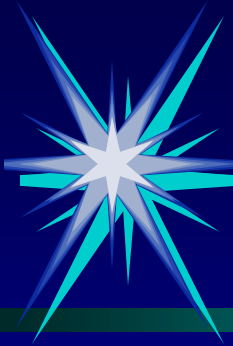
Monthly Salary	\$2,000	\$3,000	\$4,000	\$6,000	\$8,000	\$10,000
Age						
25	960,000	1,440,000	1,920,000	2,880,000	3,840,000	4,800,000
30	840,000	1,260,000	1,680,000	2,520,000	3,360,000	4,200,000
35	720,000	1,080,000	1,440,000	2,160,000	2,880,000	3,600,000
40	600,000	900,000	1,200,000	1,800,000	2,400,000	3,000,000
45	480,000	720,000	960,000	1,440,000	1,920,000	2,400,000
50	360,000	540,000	720,000	1,080,000	1,440,000	1,800,000
55	240,000	360,000	480,000	720,000	960,000	1,200,000



# Amount of Lost Portfolio Value of Retirement Plan Investment

<b>Age at Disability</b>	<b>Portfolio Value loss at age 65*</b>
<b>30</b>	<b>\$30,430,000</b>
<b>35</b>	<b>\$15,028,000</b>
<b>40</b>	<b>\$7,371,000</b>
<b>45</b>	<b>\$3,564,000</b>
<b>50</b>	<b>\$1,671,000</b>
<b>55</b>	<b>\$730,000</b>

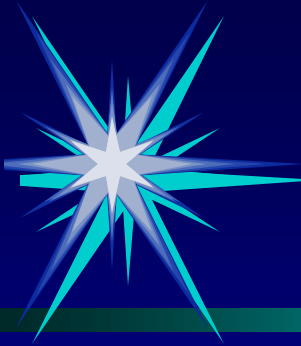
**\* Based on an annual contribution of \$30,000 invested at a 15% rate of return.**



# Business Insurance

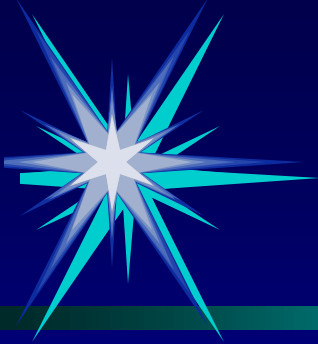
- **If your customers rely on your services, could you keep your business going while recovering from a disability?**
- **If a partner became disabled, where would you find the money to buy-out his or her share of the business?**
- **If a key executive became disabled, how would you make up for lost profits?**





# Disability: A 7-Way Loss

- **Loss of health**
- **Loss of future earnings**
- **Loss of insurability**
- **Loss of assets**
- **Loss of self-respect**
- **Loss of peace of mind**
- **Loss of credit rating**

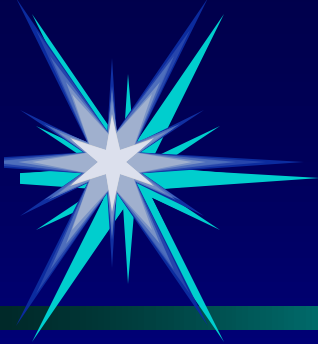


# Working

**Income**

**Savings**

**Expenses**



# During Disability





# Making Decisions ...

## Should You Buy Disability Insurance?

### **Buying Disability Insurance:**

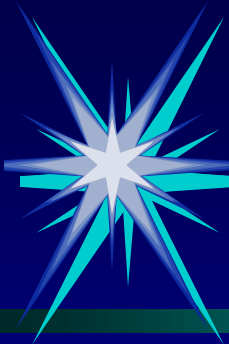
*If you never became disabled and you didn't need this policy*

**Your Mistake: \$183 per month**

**BUT**

*If you became disabled and you didn't have this policy*

**Your Mistake: \$1,500,000 lost benefits**



# Making Decisions ....

## Should You Buy Disability Insurance? (cont.)

If we assume today's decision becomes a mistake, which would you rather make?

a little mistake

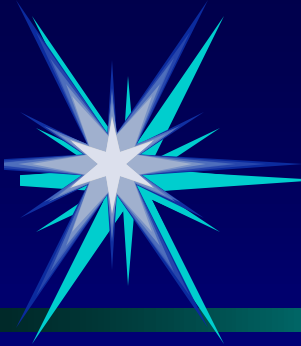
or

**THE BIG MISTAKE?**

Income Replacement Proposal - Tax Free Benefits

Designed for: Prospect; Age 40

<u>Monthly Benefit</u>	<u>Annual Benefit</u>	<u>Waiting Period</u>	<u>Total Benefit</u>	<u>Monthly Cost</u>
\$5,000	\$60,000	90 days	>\$1,500,000	\$183



## **Disability Coverage Can Be Used For:**

- ◌ **Living expenses**
- ◌ **Mortgage protection**
- ◌ **Waiver of premium**
- ◌ **Retirement funding**
- ◌ **Business overhead expenses**
- ◌ **Buying out a partner**
- ◌ **Replacing a key employee**