

3 Common misconceptions about disability insurance

Disability insurance protects your income and your ability to earn a living, which, for most people, is their most valuable asset and fundamental for achieving their financial goals. Yet it is one of the most overlooked types of insurance coverage. If you don't think you need a disability policy, you are not alone – but you may not be right. There are many reasons why you may want to consider having disability coverage as a foundational part of your financial plan.

"It won't happen to me."

The majority of people think they won't ever become disabled and therefore won't need disability coverage. However, the numbers show a different story. One in four of today's 20-year-olds will become disabled before retirement, according to the Social Security Administration. Moreover, disability insurance also covers you in the event of a debilitating illness such as cancer – which is even more likely to occur (about 40% of people will be diagnosed in their lifetime, according to the National Cancer Institute).



"I have enough savings to cover my expenses."

Take a guess: How long does the average disability claim last? If you said about three years, you would be correct (31.6 months to be exact). Now think about how much you have in savings. Is it enough to cover three years of living expenses? The majority of adults can cover six months or less – and that doesn't account for additional expenses you may incur related to injury or illness. If you have to stop working or even if you have to reduce your work schedule to part-time, disability insurance can help keep your household running and your family's future on track.



"I have other sources of disability income."

You may think Workers' Compensation will cover you in the event of an accident. However, only 1% of disability accidents actually occur on the job and are eligible for occupational claims. Perhaps you think Social Security disability benefits would cover your expenses if you become disabled. But that's not a solid fall-back plan either. Qualifying for Social Security benefits is significantly more difficult than qualifying for insurance benefits. And if you are a business owner, you also have to think about covering your business expenses – something a comprehensive long-term disability policy can do.



If you don't have disability insurance or it's been a while since you reviewed your policy, reach out to your advisor.

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