The Stan Clark Financial Team's

PERSPECTIVES

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Financial Planning

Disability insurance: Do you have enough?

By Sylvia Ellis, Senior Estate Planning Advisor

What would happen if you suddenly became disabled and were unable to work or carry out your regular activities? And if you no longer had an income to meet ongoing expenses, how would this affect you or your family?

Many people think first and foremost about life insurance. In reality, disability strikes far more frequently than premature death. Whether temporary or long-term, disability can happen to anyone, at any age. It can come on suddenly from an accident or illness, or develop over time.

So, what are your chances of becoming disabled for three months or longer?

If you are 50, you basically have a one-in-three chance of becoming disabled. And if you are disabled for longer than 90 days, on average the time will extend to 3.1 years.

Let's hope you beat the odds! But what if you don't? What are your sources of income if you don't have enough saved?

Well, there's…

Government benefits – But can you really count on them? Canada Pension Plan only pays for the most severe disabilities. As of 2018, Employment Insurance only covers a maximum benefit in B.C. of $547– which is taxable – per week, for 15 weeks. Lastly, Worker's Compensation pays for only work-related injuries.

Sale of assets – The question here is: Will you be able to sell and get the fair market value?

Borrowing – This is a tough one. If you can't borrow from the bank because you're not working, your only other option may be to look to family and even friends to help you. Do they have the money to spare? And how would you feel if you had to ask them to financially take care of you?

Group benefits plan – You may think to yourself, "I'm covered at work through my group long-term disability plan, so I'm okay." Are you, though?

Exactly how much of your income will be replaced? If your plan covers at least 60% of your pay, you may have enough. If you're a higher-income earner, however, this may not be the case. Some plans have a maximum benefit, such as $5,000 per month.

Another important thing: What is your group plan's definition of disability? Some plans may define it as being unable to perform the essential duties of your regular occupation for 12 or 24 months. After that, the definition changes to "any" occupation for which you are reasonably suited by occupation, training or experience. Some plans may go further and define disability without consideration of the availability of such occupations.

So, while it's good to have group long-term disability, it may not be the best coverage or enough.

Finally, a source of income could include…

Individual disability insurance – An individual plan can be the most comprehensive and flexible coverage available because *it can be tailored to your needs*. You can choose when the benefits start following disability, and for how long. You can elect a policy that cannot be cancelled and one in which the price cannot be increased. Most policies have the option to add – at an additional cost, of course – a *return-of-premium rider*. This means that, if you have not claimed after a certain period of time, you can choose to have all of your premiums paid back. There are many ways you can tailor these plans that make them well worth looking at.

Your earning potential is your most valuable asset. We urge you to review your personal situation and current coverage to determine if you're protected. As always, we'd be happy to assist you and provide a second opinion, should you wish. ■

Chance of being disabled for 3+ months

Age	25	30	35	40	45	50	55
Percent	58%	54%	50%	45%	40%	33%	23%
Average #of years	2.1	2.5	2.8	3.1	3.2	3.1	2.6

Derived from 1985 Commissioners Individual Disability Table A

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