

Here's four ways to protect yourself from a long-term disability.

Know your options. Compare the benefits. Consider the advantages.

While most people like to think the odds of becoming disabled are pretty slim, the U.S. Social Security Administration has found that a 20-year-old worker has a one-in-four chance of becoming disabled *before* he or she reaches retirement age.¹ Given this statistic—and the potential impact a long-term disability could have—it's clear to see why so many working adults need financial protection.

The only question is: How can they get it?

For most people, there are four potential sources of long-term disability protection: (1) Social Security, (2) Workers Compensation, (3) Employer Coverage, and (4) Group Disability Insurance. Since each program has its own distinct criteria, benefits, and limitations, let's take a closer look at what they have to offer:

Social Security Disability Insurance (SSDI) — Contrary to popular belief, Social Security provides more than retiree benefits. The Social Security Disability Insurance program pays benefits to people who cannot work because they have a medical condition that is expected to last at least one year or result in death. The program does not cover short-term or partial disabilities, and comes with other limitations as well:

- You must be unable to work any job, not just the job you hold.
- It takes four to six months to process an application (and about two-thirds of initial claims are denied).²
- The average payment is just \$1,236 a month,³ and may be subject to federal income tax.

Workers Compensation — Workers compensation is a state-administered insurance program that protects employees if they are injured or disabled while at work. Benefits vary from state to state, but this coverage is intended to help cover medical expenses, replace lost income, and pay for any required rehabilitation. Unlike Social Security, payments are not taxed and the program does cover partial and short-term disabilities. However, there are some potential drawbacks:

- Benefits are paid only if the disability is work related (only 1% of claims qualify).⁵
- You may be subject to regular medical examinations and evaluations in order to maintain benefits.
- You forfeit the right to take legal action against your employer if you accept benefits.

Workplace (Employer) Coverage — Many large employers provide disability coverage as a workplace benefit. While little to no underwriting is required, these policies are often limited in the types of features and benefits offered. In fact, they typically cover 50%-60% of your income. Let's look at a few of the reasons why these policies may not meet your needs:

- Coverage is not portable, so you lose your coverage if you leave your job.
- Benefits are taxable if your employer pays the premiums.
- Coverage often has a long waiting period (up to six months) before you can collect benefits.



Group Disability — Many professional associations and affinity groups offer disability insurance to their members. These policies typically cover partial disabilities and severe illnesses and are often customized to include common industry specific injuries. While benefits and features vary from coverage to coverage, they usually have the following in common:

- Coverage is portable, provided you remain a member of your industry, association, or affinity group.
- Benefits are not taxed if you pay the premium.
- Many cover accidents and illnesses that occur in the home.

As confusing—and crowded—as the disability insurance landscape can be, it’s clear that working families need this valuable protection. To find out more* about group disability insurance available through [Association/Affiliation], please visit [URL] or call [Association/Affiliate Phone].

**Which option is best for you?
Check out our quick comparison guide.**

	<i>Are benefits taxable?*</i>	<i>Does it cover partial or short term-disabilities?</i>	<i>Does the disability have to be work-related?</i>	<i>Is coverage portable?</i>
SSDI	Yes	No	No	Yes
Workers Comp.	No	Yes	Yes	Yes
Employer Disability	Yes, if employer pays premiums	Depends on coverage (usually, yes)	No	No
Group Disability	No	Depends on coverage (usually, yes)	No	Yes

*Including features, costs, eligibility, renewability, limitations, exclusions and more.

**Consult with your personal tax advisor for more information.

¹ The Faces and Facts of Disability, Social Security Administration, 2021.

² Applying for Disability Benefits During a Global Pandemic, Kiplinger, June 24, 2020.

³ Chart Book: Social Security Disability Insurance, Center on Budget and Policy Priorities, February 2021.

⁵ The Importance of Disability Coverage in Uncertain Times, Council for Disability Awareness, 2020.

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