



# Are You Properly Insuring YOUR LARGEST ASSET?

Which of the following assets have the greatest value ... home, cars, savings, investments, retirement accounts or other?

**Answer:** Other!

The Number One asset most people own is their ability to produce an annual income. For example, if you are making \$4,500 per month at age 40 and factor a three percent annual increase in income (inflation adjusted), your total earning power from age 40 to age 65 is \$1,968,800. Under the same scenario, an individual earning \$72,000 a year will have an earning capacity of \$2,625,067 to age 65. Of course, if you obtained a better job or raises beyond inflationary increases, your earning power is much greater. Guess which asset is the biggest asset?

So, how much insurance do you have to protect your income if you get sick or hurt and where will the money come from? Chances are, you don't know. Here are possible sources of income.

- Sick Pay from work
- State Disability Insurance
- Workers Compensation
- Group Short-Term Disability
- Group Long-Term Disability
- Supplemental Disability
- Social Security
- Individual Disability Coverage

**Sick Pay** from work usually entails a one to two-week period the employer will pay your salary while you are out ill or injured.

**State Disability Insurance** is funded via employer payroll taxes. The maximum benefit period is one year. The maximum benefit is about \$460 per week. This will help with cash flow, but not replace most of your earnings. Self-employed and independent contractors are not automatically funded.

**Workers Compensation** – medical care and compensation for on-the-job injuries. Does not cover you for non-work related illnesses or injuries.

**Group Short-Term Disability** – Found most often with companies with lots of employees. Could be voluntary or provided by the employer. Benefits are generally up to six months. Check your benefit handbook to see if available.

**Social Security** – The threshold to be disabled and obtain social security benefits is high. Once a year, you should receive a statement from Social Security outlining your retirement, survivor and disability benefits. Don't count on this one right away.

**Group Long-Term Disability** – Benefits generally available three to six months after injury or illness and payable up to age 65. However, the definition of disability after two years is often restrictive. The benefits paid are usually reduced by benefits received from other sources listed above, this could be provided by employer or available via payroll deduction.

**Individual Disability Insurance** – Usually the plan offered will allow you benefits for two years, five years or all the way to age 65. Initial rates for policies are based on your job description, medical history, financial profile and other factors. Cost for policies run an average of two to three percent of your income. Highly recommended for self-employed, business owners and executives and those highly compensated that have a shortfall of other options.

Don't be one of those people who find out how weak their benefits are AFTER they become sick or hurt! You need to fully understand what happens if you are unable to work. What is the solution? **1)** Take responsibility and accountability for your benefits. Don't just assume your company or government are going to take care of you. **2)** Work with an insurance and benefit specialist and understand how your policy(ies) work and their limitations. Adjust to the level of benefits necessary to protect you and your assets.

## The Hidden Reality

If you become disabled, your expenses may well go up! Here are just a few examples to expect added expenses from:

Unreimbursed medical expenses:

- Deductibles, co-pays or non-covered expenses
- Negative impact on healthy spouse's ability to work and generate income because the spouse is taking care of you?
- Losing your job and having to pay 100 percent of your health insurance via COBRA if you are not covered by your spouse's plan.

## Note to the Self-Employed, Consultants and Independent Contractors

You are at the greatest risk. A self-employed person or consultant does not have the benefits of workers' compensation. In addition, while you can and should pay into state disability insurance, most self-employed people either don't know where to go or aren't aware of it. The self-employed person has the greatest risk of anyone. There is no "sick pay" plan. There is no state disability or individual disability unless you qualify and pay for it. Business owners with high incomes are also at tremendous risk because the limited state and federal benefits won't come close to their business income.

The following example best illustrates the need for income protection for the self-employed and highly compensated. Let's imagine you had two vending machines in your garage that printed out your annual salary in cash every year. One machine (A) printed out 100 percent of your salary as long as the machine worked and little or nothing when it broke down or (B) put out 98 percent of your salary while it worked and up to 60 percent of your salary when the machine broke down (tax free), which vending machine would you prefer to own? Machine A is you without the disability insurance. Machine B is you with disability insurance. **HB**

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