

[Long Term Disability Shopping Tips](#)

If you depend on your earned income and want to build yourself a safety net, you can buy long term disability (LTD) insurance that will replace that income if you become ill or injured and unable to work. You can buy it as an individual or through a group. At age 40, you have a 21% chance of becoming disabled for a period of 90 days or more. LTD is a good safety net if you can afford it, and as with all insurance there's fine print:

Most LTD plans pay a maximum monthly benefit that will be somewhat less than what you were earning before you became disabled. Your benefits are usually subject to income tax, and income you had been earning through bonuses & commissions is typically not replaced.

If you already have disability insurance and it's through a group policy provided by your employer,¹ you may want to increase your protection by buying a supplemental Long Term Disability ("LTD") policy.

What should I look for when shopping for disability insurance?

Use UP's [State-by-State help](#) section to find the agency in your state that regulates insurance companies. If they publish complaint data, look at the percentage of complaints in relation to market share for disability insurers and opt for the company with the lowest number. When comparing the policies, don't just compare prices and benefit limits. Ask about "offset" rules (that can reduce your benefits), benefit triggers and limitations. Make sure you're comparing "apples to apples."

Can't I just count on Social Security Disability Income Insurance (SSDI)?

The Social Security Administration (SSA) provides long-term disability benefits based on your salary and the number of years you have worked and contributed to the Social Security system. Social Security replaces only a limited portion of your salary, and the qualifications to receive benefits are very strict. Also, for many applicants, it can take over one year and multiple appeals before the SSA ultimately pays the benefits. In the meantime, disability insurance will help ensure no gap in your income stream. See www.ssa.gov/disability.

I have a policy through a group. How can I figure out if it's adequate?

If you have group disability coverage here's how to calculate your current coverage and how much

supplemental individual disability insurance coverage you might want to buy.

To calculate whether you have a gap use the following formula:

Current Annual Gross Income: _____ times _____ (% covered 50-60 is the norm, most plans have a maximum benefit cap, so use that if applicable) equals _____ then subtract your gross income tax rate (35-40%) for your current after-tax LTD benefit. An individual disability program will usually replace about 70%+ of your after-tax income.

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United Policyholders is a voice for disability insurance consumers in our nation's courts via our Amicus Project. To read UP's recent U.S. Supreme Court brief in *Heimeshoff v. Hartford Life & Accident Insurance Co. and Wal-mart Stores, inc.* [click here](#). We thank our volunteer attorneys Tybe Brett, Glenn Kantor, Cassie Springer and Michelle Roberts for drafting another excellent UP amicus brief. Go team!

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