

## Too Young for Disability Insurance? Yeah, Right

Fox Business

If you are in your 20s or early 30s, you may live like you're "Young, Wild and Free," to borrow a song title from the recent past. But you're not immune from injury or illness.

Unless you're wealthy, making ends meet could be difficult if you develop a physical disability or debilitating ailment and are unable to work. That's when disability insurance would come to the rescue — though you may think it's meant for older people.

Disability coverage is income protection. It pays out a benefit if you become disabled and can't work.

The types of policies include:

Group disability insurance, through your employer.

Private disability insurance, which you buy on your own.

Typical group disability coverage will replace about 60% of your salary, according to the Insurance Information Institute. The trade group says when you shop for private disability insurance, look for a policy that will replace up to 70% of your income.

Why Don't We Carry Disability Insurance?

Although you may not hear about it as much as other forms of insurance, you may end up needing disability insurance the most, says Tony Steuer, director of financial preparedness for the insurance consumer group United Policyholders.

"It's really overlooked in the whole financial planning community," he says.

And it's often passed over by young adults. Only 35% of consumers between the ages of 21 and 40 have disability insurance, according to a survey by financial planning company LearnVest.

Among the young survey respondents not carrying disability insurance, the two most common reasons were:

It's not worth the money it costs.

I don't need it because I work in a low-risk job.

Still, the chances of a young adult becoming disabled are high: Just over 1 in 4 of today's 20-year-olds

will become disabled before they reach retirement age, according to the Social Security Administration.

Is it Worth It?

Young people who are skeptical about the cost of disability insurance need to know that it's a good value, says Steven Weisbart, senior vice president and chief economist for the Insurance Information Institute. "An injury or illness is) something that's very unlikely to happen, but if it does it would be a devastating loss, and the cost of insuring against the devastating loss is very small," he explains.

Employers typically cover the cost of group disability policies, meaning there is no cost to employees. But some group policies come with a monthly charge of \$10 to \$45 that's deducted from workers' pay, says Steuer.

If you're considering a private disability policy, there are several factors that determine how much you would pay, in addition to your age, health and occupation. These include the benefit amount, the benefit period and any add-ons your policy may have.

Sample Rates for Private Policies

A 30-year-old male computer programmer earning \$100,000 per year would pay \$75 a month for private disability insurance that would provide a monthly benefit of just over \$5,000 until age 67, Steuer says. He adds that a man who's 35 — just five years older — would pay about \$90 a month for the same coverage, because the cost goes up as you age.

You should expect to devote between 1% and 3% of your annual gross income to a private disability policy, says Susan Rider, a spokeswoman for the National Association of Health Underwriters. That means if you earn a \$50,000 salary, you may pay anywhere from \$500 to \$1,500 per year.

"If you could not go without some replacement income, you should either purchase a plan from your employer or in the individual market," she stresses.

Note How a Policy Defines 'Disability'

The amount you pay in disability insurance premiums also depends on how the policy defines disability, experts say.

The disability definition is "the heart and soul" of a policy, Steuer says. Even if you're unable to do your usual work, a policy with a more restrictive definition of "disabled" would require you to do any job that fits your education and skills. You would not qualify for benefits if you could continue working for your employer in a different capacity.

"It's a good idea to choose the most liberal, or broadest, definition, so that you) have a pleasant and effective claims experience when you) need it," Steuer says.

But Weisbart advises young people to go for a policy with a more restrictive disability definition because it would likely cost less. Plus, he says a younger person might have an easier time making a transition to

other work, if necessary.

#### False Sense of Security

And what about those 20- and 30-somethings who go without disability insurance because their jobs aren't dangerous? Working in an office or other low-risk environment doesn't make you safe from injury. Less than 5% of disabling accidents and illnesses are work-related, according to the Council for Disability Awareness, meaning it's more likely that something could happen to you outside of work.

"There are certain things in life that we can't predict. We can't predict if we're going to get hit by a car; we can't predict if we're going to have some unforeseen illness occur like gallbladder disease) or appendicitis," Rider says.

"It's really important when you're young and healthy to purchase disability insurance)," she adds. If you wait until you're prompted by something urgent, such as a diagnosis, your coverage could be declined.