

## Avoiding the Wealth Destroyers with Disability

by Bob Risk

The need for supplemental disability benefit is greater than ever because the future of Social Security is uncertain and many Americans are drastically under estimating their life expectancy and over estimating their financial resources. There is an unprecedented need for benefit brokers to work with employers. Brokers can be part of the solution by educating employers about why it's important to consider a group disability package and explaining how it can benefit retirement income security of their employees.

It's important to recognize the correlation between retirement savings and benefit coverage that transfer the burden to the individual. Many employers are decreasing or removing employer-paid benefits because of the rising costs of healthcare benefits.

Most people aren't comfortable planning for the unexpected so they don't do it. Wealth destroyers, such as the cost of long-term and short-term disabilities, can easily exhaust retirement reserves faster than anticipated and eliminate a person's ability to leave a financial legacy.

Seventy percent of people have at least some sort of emergency fund, but only 39% have set aside the recommended three months of living expenses, according to a 2006 Bankrate study. So, the need to tap into accumulated retirement assets could be a wealth destroying reality. The unpredictable and potentially devastating nature of a disability can strike fear into people who are planning for retirement, especially those whose only strategy is to save, save, save. These people tend to focus too much on accumulating assets and not enough on protecting assets. Disability insurance offers a solid approach for maintaining stability in assets over the long-term.

Group disability plans are the best bargain in the insurance market today. But, they are undersold and underutilized primarily because employers and employees don't understand them. Employees say that medical insurance is their most important benefit while life insurance, prescription drug insurance and dental insurance have moved up into the indispensable category, according to a 2007 Eastbridge study. Disability coverage is notably missing from this list.

Those who do not anticipate this risk of a disabling incident can be left with irreparable financial damage if they are unable to work. Numerous financial consequences can come from a disability, spanning a vast timeline. Significant medical costs can be quite cumbersome in this environment of rising healthcare costs and decreased employer-paid benefits. Employees may find themselves under a tight budget due to unpaid leave. For the first time in more than 30 years, Americans are spending more than they are saving, leaving an even smaller pool to draw from in the event of a disability, according to a study by the Bureau of Economic Analysis.

Many employers leave group disability out of their benefit plans, thinking that it is unnecessary, according to a 2006 study by American Health Insurance Plans (AHIP). While 56% of employees have medical coverage, only 45% have short-term disability coverage. Another 2006 AHIP study reveals that group short-term and long-term disability coverage generally have lower premiums than other types of insurance. Disability insurance allows a person to concentrate less on the financial strain of the impairment and more on recovery. The shorter recovery times and more productivity works in the employer's favor. Workers who don't have disability coverage often return to work even though they are not fully recovered because they need the paycheck. This can lead to "presenteeism" in which employees come to work in spite of illness, which leads to low productivity that hurts a company's bottom-line.

There's a need for group disability plans since the risks of a disability are far greater than temporary loss of income. More often than not, an employee's retirement strategy is based on the assumption that they will continue working and saving until they retire. This strategy falls apart when a disabling illness or injury prevents the employee from making retirement plan contributions and when they need to dip into savings to cover medical or personal expenses.

Employers can cope with rising costs while maintaining employee satisfaction with an employee-paid disability benefit or an employee/employer-paid disability bene-

fit. Disability plans allow employers to supplement benefits they have reduced due to budgetary constraints. Some disability benefit packages include value-added options including access to employee assistance programs (EAPs). An EAP is a counseling service for personal or workplace problems among employees and eligible dependents. Brokers and providers can do several things to help employers recognize the need for a disability package:

- Work with employers on the disability plan design that best meets the needs of employees.
- Provide ongoing education to employers and employees on the need for disability insurance and how it can affect an individual's retirement income security.
- Offer streamlined administration to help employees enroll quickly and seamlessly.
- Educate employees during the enrollment process. The fact that the employer is endorsing a disability benefit can be very influential to an employee.

People recognize the need to insure their cars, homes and valuables, but fail to adequately protect the one thing that enables them to have these things – income. Group disability can go a long way toward protecting this important asset at an affordable cost whether the benefits are employer-paid or voluntary. Clients often overlook disability benefits and eliminate them from benefit packages. It is incumbent on the broker to give employers the opportunity to make sure that disability premium dollars produce the value they are designed to provide. □

*Bob Risk is Group Protection national sales director for Employer Markets at Lincoln Financial Group. Previously, he was a regional vice president of Sales for Lincoln Employer Markets from Mississippi to New York. He began his career at Unum and then moved to Guarantee Life, which later became a part of Jefferson Pilot. He holds a B.S. degree in Marketing from Indiana University. Risk is a frequent speaker at seminars and has been recognized with various awards, including Office of the Year in 2003. Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Employer Markets is a business unit of Lincoln National.*