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Communicating the Value of Disability Financial Planning



In these troubling economic times, the headlines are dominated by stories of individuals and families struggling to manage unprecedented challenges to their financial well-being that they never anticipated and most certainly aren't prepared to handle. We hear every day about increasing mortgage foreclosures and personal bankruptcies, dwindling savings accounts, shrinking 401(k) balances, and rising unemployment. These stories are a stark reminder of the need to be better, more proactive planners. This is particularly important today when it comes to protecting personal assets, including the ability to earn a living, arguably an individual's most important asset. From the Council for Disability Awareness' (CDA) perspective, the need to demonstrate the value of disability financial planning to clients has never been greater.

Losing one's income can be devastating in any economic climate. But when a disability strikes, the consequences of losing the ability to earn a living can be even more severe. Not only do everyday living expenses have to be paid, but medical bills escalate, retirement funding can stop, and the prospect of future employment diminishes. Today, too many wage earners are vulnerable to the financial impact of a serious, income-limiting illness or injury. Unfortunately, since most haven't taken the necessary steps to prepare for the unthinkable, their present and future financial security hangs in the balance. Working Americans need help — information, resources, and guidance — when it comes to disability financial planning.

It can be argued that given today's economic climate, the value of a person's income is more important to maintaining their current lifestyle and preserving their long-term financial security than at any time in recent history. The financial stability once derived from the traditional "safety net" benefits — Social Security disability insurance, employer-provided sick pay and disability insurance, workers' compensation, defined benefit retirement plans, and extended health care benefits — is diminishing as more of the risk for personal financial security shifts to the individual. And, as this risk shift accelerates, agents and brokers engaged in financial planning have an opportunity, and a responsibility, to ensure that their clients are better prepared to protect their current and future financial lifestyles. Today, no financial plan can be complete without appropriately planning for and protecting against the potential loss of income due to disability. The call to action for our industry is to elevate disability financial planning to a comparable level with other planning disciplines: asset accumulation, retirement funding, and estate and medical management planning.

The CDA, a not-for-profit organization founded in 2005 by leading disability insurance companies, is intent on providing information, resources, and tools to help raise public awareness of issues including:

- the growing likelihood of experiencing a disability.
- the financial consequences of losing the ability to earn a living.
- the need to plan responsibly.

The good news is that these disability awareness efforts are beginning to gain traction. In just the two years since the CDA's Web site launched, more than a quarter of a million people have visited the site, and traffic continues to grow each month. To be sure, the industry as a whole also has increased its public awareness efforts. Organizations like the International Disability Income Society (IDIS), America's Health Insurance Plans (AHIP), the Life and Health Insurance Foundation for Education (LIFE), and the American Council of Life Insurers (ACLI) are also bringing disability awareness and income protection to the forefront of financial planning. While we, as an industry, still have a long way to go with disability awareness, it remains that agents and brokers, critical to helping bring financial security to their clients, are the central force in this effort.

As more and more agents and brokers recognize the need to take the lead in helping their clients understand the virtues of disability planning, including the importance of protecting their ability to earn a living, the CDA Web site (www.disabilitycanhappen.org) is proving to be an invaluable resource to help them build their disability insurance practices. In addition to offering a wealth of statistics, health and wellness information, surveys, and studies, the CDA site provides excellent tools designed to help brokers and agents engage clients in disability planning discussions in a non-threatening and impartial way. Some of the most popular conversation-starting tools contained in the Advisor Information and Resource Center section of the site include:

- **Disability Awareness “Quick Quiz”:** a tool that tests an individual’s general knowledge about disability-related facts.
- **Five Questions Every Worker Should Ask:** a brief questionnaire to help clients assess how financially prepared they are in the event they experience an income-limiting disability.
- **Personal Financial Security Plan:** a planning tool to help users understand their expenses and potential sources of income during a period of disability.
- **Common Myths and Misconceptions:** a tool to help address the many public misconceptions about disability-related topics.
- **The CDA Disability Estimator:** coming soon, this first-of-its-kind personal calculator will help individuals estimate their odds of becoming disabled during their working career, and for how long.

Losing your ability to earn a living because of disability has been called “the neglected life risk.” It is often overshadowed by the three other major life risks: sickness- or injury-related medical costs, outliving retirement resources, and premature death. But the trends and facts don’t justify its place in the hierarchy of risk-related needs. With the CDA’s help, brokers and agents can put this growing risk into proper perspective.

The public needs to understand that the likelihood of experiencing an income-limiting illness or injury is rising at an alarming rate. In the past decade, the number of disabled workers in the United States has increased an astonishing 51%, according to the Social Security Administration. And, while the 2008 CDA Disability Planning Study reveals that most workers agree their ability to earn a living is the most important factor contributing to their long-term financial security, two out of three workers don’t consider protecting that “asset” part of their financial planning. Why? Most people believe “it won’t happen to me.” As a matter of fact, according to a recent survey conducted by The Hartford, one of four people believe they have a better chance of winning the lottery than of becoming disabled.

Agents and brokers, who have the attention of their clients and more importantly, the credibility to help dispel the myths about disability, are best equipped to ensure that their clients make informed decisions about securing their future financial security. They need to start the disability planning process with information-based conversation. Yet that conversation is not happening with most wage earners today.

According to the 2007 CDA Disability Awareness Survey, 57% of employees have never discussed how they would manage without an income and 43% say they hadn’t considered how they would financially survive a loss of income — simply because no one talked to them about it. By using the information, resources, and tools provided by the CDA, agents and brokers can start the dialogue about the necessity of sound disability financial planning and, in turn, become invaluable resources to their clients.

As we enter this new year, let’s redouble our industry efforts to continue increasing awareness among working Americans about the growing realities of losing their income due to disability, and the need to be better prepared for the financial consequences. The CDA is committed to continuing to provide the resources and information to help agents and brokers in this critical effort. Together, we can institutionalize disability financial planning, making it a fundamental component of every financial plan. We all have a responsibility to help working Americans protect their financial lifestyles and preserve their future financial security — and income protection can help accomplish both objectives.

Visit the Council for Disability Awareness Web site at www.disabilitycanhappen.org.

Robert G. Taylor, CLU, CEBS, is president of the Council for Disability Awareness, a coalition of leading U.S. disability insurance companies committed to raising public awareness of the growing reality of experiencing a serious illness or injury, and the potential financial consequences of losing your ability to earn an income. During his 35-plus year career in the disability insurance business, Bob has served as president of John Hewitt and Associates, Inc., head of the employee benefits sales and marketing division of UNUM, executive vice president and chief marketing officer of the Anthem Life Insurance Companies, and head of Mutual of Omaha’s group insurance division.