



Disability

## **Avoiding a Financial Fate Worse Than Death: The Case for Disability Financial Planning**

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Disability financial planning is a relatively modern concept of planning for the financial aspects of your life in the event that you become disabled due to accident or sickness and can no longer produce an income to support your lifestyle and business obligations.

Consumers have long been denied sound financial advice about this problem. People face two kinds of financial problems in the living of life: man made and nature made.

Man-made problems can usually be handled with man-made solutions, such as when someone loses their job. The solution is to get a new job. When a business fails, the solution is to start a new business or get a job that pays an adequate income. A person sound of body and mind can pursue these actions until a solution is found.

There are two financial problems that come from nature-made problems: living death and actual death. In either case, the victim cannot produce income to sustain self, family, and business (if the victim is in business). The results are very obvious in the case of actual death. When the diseased is planted under six feet of sod, no income earning ability remains. A partial financial solution for the victim's dependents comes from proceeds from life insurance to serve as income replacement.

The living death, which involves becoming disabled and unable to produce sufficient income, is more devastating financially because the victim is still here as a total consumer without being a producer. Not only does earned income drop or cease entirely, but also the expenses of supporting and treating the victim generate some big costs that are not covered by the person's health insurance, long term care insurance, Workers Compensation, or Social Security disability benefits. Having adequate disability income insurance is the only viable solution.

Disability income insurance has been available in America since 1897, but is seldom offered in sufficient amounts to provide for the extraordinary financial losses resulting from a disability. There has long been casual attitude about disability insurance. One reason is the consumers who assume that, being like Tarzan, they are invincible to sickness and injury. Many consumers are not concerned enough about this problem to apply for disability insurance. Another reason is the lackluster attitude of the few life insurance companies that offer disability insurance. Most life insurance company CEOs don't understand how essential it is to carry disability insurance. They also fear potential losses to the company that could come from an abnormal number of disability claims.

People who understand the financial devastation that comes from the loss of income understand that it is the worst thing that can happen financially and it is statistically the most probable thing that can happen. They understand how it can lead to the loss of a house, the loss of education, the loss of club memberships and reduction of quality food, clothes, recreation, retirement savings, and wealth potential. This is a terrible predicament for the victim. Unlike actual death, the victim is there to witness what happens when the family has to move out of their home, when the children have to drop out of school, when the club memberships are canceled and everyone is deprived of nice clothes, good food, nice cars, and a very satisfactory lifestyle.

### **Solutions**

A simple disability policy is seldom the only solution to the problem that has been created by the very living of life. It yields benefits amounts that are frequently inadequate to replace just personal earned income. It does not cover other substantial perils, such as contractual demands, retirement deposits, loans and leases, time payment agreements, business overhead, and other business obligations like buy/sell agreement funding. It may take having multiple policies to build a financial fortress around the victim. This is not as easy as the simple joy of building a fortress with lego bricks in which dimensions and size are the only considerations.

It becomes a matter of using compatible benefits and terms as well as considering the size and dimensions. This is the challenge and this is the opportunity to indulge in disability financial planning. With disability financial planning, the insured's perils in life have been identified and sound solutions are in place.

### Planning For Life's Perils

- Personal earned income replacement – high limit plans to supplement IDI or group plans.
- Loan/lease – lump sum or payment completion.
- Employment agreement indemnification.
- Venture capital indemnification.
- Key person indemnification.
- Severance agreement and group LTD replacement.
- Buy/sell agreement funding, lump sum or installment basis.
- Business overhead expense.
- Contract completion.
- Retirement plan deposits – lump sum or installments.

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**W. Harold Petersen, RHU, DFP, has been a leader in the disability insurance industry for 60 years and is founder and president of Petersen International Underwriters.** Petersen produced a seven-part course on disability insurance and has written books on personal economics and disability financial planning. He has been awarded the Harold R. Gordon Memorial Award—Person of the Year in 1985, the health insurance industry's most coveted award. In 2003, he received the Will G. Farrell Award from the Los Angeles Association of Insurance and Financial Advisors, and in 2005 he was awarded the International DI Society Lifetime Achievement Award. He was awarded the Distinguished Service Award by NAIFA-California in 2008. Petersen has served on the local, state and national boards of the National Association of Health Underwriters and the National Association of Insurance and Financial Advisors, as well as on the board of trustees for the California Association of Life Underwriters. He has served two terms as the chairman of the Disability Insurance Training Council, and is Founding President of the International DI Society. Harold Petersen can be reached at Petersen International Underwriters, 23929 Valencia Blvd., Suite 215, Valencia, CA 91355. Telephone: 800-345-8816, e-mail: [whp@piu.org](mailto:whp@piu.org), or website: [www.piu.org](http://www.piu.org).