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Why Insure Income?

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This is the first article in a nine-part series discussing the importance of disability income insurance.

Why should you insure income? Because, for most people the ability to earn an income is without a doubt, their most important asset. (Unless they are already independently wealthy!) Take for an example, a 40-year-old making \$50,000 a year who plans to retire at age 65 (lots of luck!), and (just to keep it simple), this example will generate an aggregate amount of \$1.25 million at the end of the 25 years. Add to that initial salary, other moderate increases, or in the case of self-employed people, additional profits through expansion and growth, and obviously the numbers get higher.

Do people become disabled from either being sick or hurt, which results in them being unable to work? We'll be looking at some basic statistics in a moment, but to put the question into perspective, do houses burn down, do cars get into wrecks? Of course they do and people like you and I pay hundreds of dollars each year for those incidents that have MUCH less of a value when compared to protecting one's income! Does it make sense that those things are covered and income is not?

Why is disability income protection insurance so low among bread winners? There are several reasons why, some of which fall into the broad category of just plain unawareness. Some examples: No one told me about it, I never think about getting disabled (superman syndrome), I can still maintain my lifestyle even if I get disabled (what is he thinking?), my boss will still pay me, even if it is long term (dream on!), it's too expensive, etc.

What are the chances of getting disabled? Remember that getting disabled to a point where a person is prevented from earning income does not necessarily mean being confined to a wheelchair. For example, can a barber cut hair with a broken wrist? Can a dentist drill with a broken finger? Can an attorney practice with severed vocal chords, or with a loss of hearing?

Consider the facts: According to various studies, nearly one out of seven individuals will become disabled for five or more years before reaching the age of 65. Just a few of the many causes can be from cancer, strokes, back injuries, mental disorders, and the like, and some can't easily be detected while the disabled person is walking down the street. So, just because someone isn't in a wheelchair, or in a hospital, doesn't mean they are NOT disabled!

Picture what happens to a family who is just one paycheck away from missing their next mortgage payment. Foreclosure, inability to pay bills looms. Who will loan money to a disabled person? Will the employer continue to pay a salary? Unlikely. Other unlikely choices might be to sell property or assets at a fire sale or deplete savings. None of these will have a happy ending.

Further, will they be able to collect benefits from Social Security? According to reports, 72% of applicants for Social Security are declined due to their very strict definition of

total disability, which in essence says: "The inability to engage in ANY substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to last, or has lasted for 12 months. The impairment must be so severe that the individual is unable to engage in any substantial work that exists in the national economy, regardless of whether or not the work exists in the immediate area in which the applicant lives, a specific job vacancy exists, or the applicant would be hired." Incidentally, this definition is in contrast to the definition found in many group certificates, which are not quite as restrictive, but which are much more restrictive than those found in individual policies.

As previously alluded to, the biggest reason for foreclosures is due to a disability, which is 16 times greater than foreclosures due to death. So why don't more people have this form of coverage, and for those that do, is it adequate and does it have the definitions that allow payments to be paid even though one is working in another occupation? Are benefits taxable? Do benefits get reduced when other sources pay, etc.?

Solomon S. Huebner, the father of disability income protection, said, "He who becomes a living death, totally and permanently, is just as dead economically as he who is actually dead! The only difference between living death and actual death, is six feet of sod!"

NOTE: There are basically four types of disability and these are:

1. Total disability - permanent
2. Total disability - long-term
3. Partial disability - short-term
4. Partial disability - recurring/progressive

In conclusion, which type of a disability will your client fall under, and can he or she afford to be without coverage?

The next article in this nine-part series, will be, "How to Construct a Plan." You can learn more about all nine parts in Larry Schneider's book, *The Anatomy of Disability Income Insurance*.

Larry Schneider is a disability specialist with over 35 years experience and is the owner of Disability Insurance Resource Center. He is also an expert witness consultant for disability insurance claims which have been inappropriately denied and a national resource for hard to place prospects, as well as a brokerage for standard cases. One of the author's divisions has developed a Sales and Marketing Turnkey System, made up of eight manuals and other sales aids, each devoted to one segment of the sales cycle (prospecting, rebuttals, etc.). You can contact him at (800)551-6211, by e-mail at info@di-resource-center.com, or by visiting his Web site at www.di-resource-center.com.

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