

POSTPONE PLANNING FOR THE FUTURE

Think about protecting the present

by Diane Dupuis



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Imagine sitting on a park bench with two of your closest friends. Did you know that there's a good chance that one of you will suffer a serious disability sometime in your life? It's scary, but true. Statistics indicate that nearly one third of our population will experience a disability between the ages of 35 and 65. To make matters worse, the average length of a disability (for disabilities exceeding three months) is 2.9 years. Are you financially prepared to live without an income for three years?

Enter disability insurance. A disability plan can provide you with an income if you're unable to work due to a serious illness or injury. Now that's tremendous protection against some very real risks. So if you're thinking of using disability insurance to protect the assets you've worked so hard to build, there are three things you need to know: the definition of disability, the key features of a plan and its usage. Let's explore these topics further.

DEFINITION OF DISABILITY

It's important to understand that the exact definition of "total disability" can vary from plan to plan. Most plans offer three general classifications of disability: own occupation, regular occupation and any occupation. Under the own occupation definition, you're considered disabled if you're unable to perform the duties of your own profession. Many professionals like this type of coverage because it allows them to re-enter the workforce, try a different occupation (because they can no longer work in their previous career due to their disability) and continue to receive disability payments at the same time.

The regular occupation class means that you're not working because you cannot do your regular job. If you choose to work in a new profession, you are no longer considered disabled and your disability payments would stop.

Any occupation provides basic protection, covering you for disability only if you are unable to work in any occupation that you are generally qualified to do. So if you were a professional insured under the any occupation definition, you would not be considered disabled as long as you were employable in a different occupation. Remember, it's the insurance company (and their exact definition of disability), not your doctor, who determines whether or not you are considered disabled and eligible for benefits. So know your plan's definition of disability!

FEATURES OF A DISABILITY PLAN

In addition to your plan's definition of disability, it's a good idea to become familiar with the plan's elimination period and the benefit period. The elimination period is the waiting period before you

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receive disability benefits. You can choose from 30, 60, 90, 180 or 365 days. The longer you wait, the less expensive your premiums will be. Just be sure you're financially prepared to sustain yourself over that time. The benefit period is the maximum duration you will be paid disability benefits. Generally, you can select from two, five, or 10 years, up to age 65 or lifetime benefits. In this case, the shorter the period, the easier it is for your pocketbook. But just as with the elimination period, the key to selecting your best time frame depends on your financial situation and your budget.

One of the many advantages of disability insurance is its flexibility. There are numerous options available for you to customize your own plan. In addition, disability insurance can be used for both personal and business use. Here's how.

GREAT FOR PERSONAL PROTECTION

In the event of a disability, disability insurance can take care of your ongoing living expenses, such as your mortgage or rent, groceries, car payments, utility bills, medical costs, loan payments and more. You have the freedom to use these funds however you see fit. Having this protection in place reduces your chances of having to liquidate your assets, dip into your savings, cash in your RRSPs, take out a loan, or borrow money from family and friends. In essence, a disability plan gives you peace of mind.

FITS YOUR BUSINESS NEEDS TOO

If you're a business owner or a self-employed professional, disability insurance is essential. Why? First because it can replace your income if you get sick or injured. And second, it can protect the health of your business. Business owners can also look into business overhead insurance to cover the regular expenses of running the business, including rent, salaries, and telephone bills. This insurance is tax-deductible for the business. As you can see, a disability insurance plan not only protects you, it also protects the future of your business.

If you're uncertain whether disability insurance is for you, take the quiz below to find out.

- My investment income represents more than 50% of my total income True False
- My children will not need my financial help for their education True False
- I am prepared to sell my home in the event of financial difficulty True False
- If I were disabled, the government would take care of me True False
- I have no expensive hobbies True False
- I do not know anyone who has been disabled a month or more True False
- My family would happily pay for all my living expenses if I could not True False
- My mortgage payment is less than 20% of my income True False
- I can afford to take a two year vacation True False



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If you answered 'false' to any of the above questions, it's time to take a closer look at disability plan. Talk to your financial advisor to find out how disability insurance can benefit you.

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