

Financially Speaking

With Trisha Arndt

What if your next paycheck were your last?

A couple of years ago there was a freak accident on the construction site of a new home in this area. The man involved was crushed below the waist between a piece of equipment and the house. His legs were so severely broken that he spent weeks in the hospital, had several reconstructive surgeries and was in a body cast for months followed by a lot of physical therapy.

I happened to know the man casually and, as my husband also works in the trades, his situation really hit home.

Unfortunately his problems didn't stop with the physical pain and suffering he endured.

You see, the man had no disability insurance and, since he was not working for an employer at the time, was not covered by workers compensation. Social security denied his claim and he ended up having literally no income for over two years. He lost his house and, at over 40 years of age, had to move in with his parents to survive.

You might think this story sounds like an extreme case but unfortunately things like this happen every day, and not just to those who work with their hands. If you are hospitalized or on bed rest fighting through something like cancer it doesn't matter how "mental" your job is – you still wouldn't be able to work.

By far the most valuable financial asset that we each have during our lifetime is the ability to earn income. All of the physical things can be replaced but if we can't earn a living everything stops there.

Think about it. If you were unable to work how would you pay your mortgage? Buy groceries? Afford health care? Would your savings last if you were disabled for six months? Three years? Permanently?

According to the National Underwriters (May, 2002) 48% of all home foreclosures are due to serious medical problems. Additionally, nearly half of the one million people who filed for bankruptcy protection in 1999 did so after being sidelined by an unexpected illness or injury (New York Post, April 3, 2000, "There's No Insuring You Won't Go Bankrupt").

The consequences of not having long term disability coverage can be severe, but still many otherwise prudent people go without it. Typically this is because the individual either feels that, "it won't happen to me" or, assumes that something is already in place to protect them.

In fact, 3 out of every 10 employees between the ages of 35 and 65 will be out of work for three months or longer due to an accident or illness (Commissioners Individual Disability Table, Society of Actuaries).

Unfortunately you can't depend on worker's compensation or the government to take care of you if you are one of those.

Worker's Compensation only provides coverage if you are injured on the job. That sounds promising however about two-thirds of all disabling injuries suffered by American workers in 2004 occurred off the job (National Safety Council, Injury Facts 2005 Edition) and worker's compensation almost never comes into play when a sickness is involved.

And, as the man in the story learned, social security disability benefits are extremely difficult to get. To qualify you have to have worked enough quarters and have a disability that is expected to last at least 12 months or result in death. Additionally it must be severe enough that you are unable to engage in "any" occupation. That means that if you are a doctor by trade but are still capable of saying "Welcome to Walmart" you may not qualify. Qualifying for social security disability benefits is so difficult that in 2004 only 37 out of 100 initial applications were approved (Social Security Administration).

Ultimately if you want to protect your income you probably need to have long term disability insurance. Many are fortunate enough to have coverage provided by their employer but don't make the mistake of assuming that you do. Check with your employer to see if benefits are provided or if they may be purchased as an optional coverage. Typically the cost of group coverage is significantly discounted over buying it individually, even if the employer doesn't assist with the premiums, so if it is offered take advantage of it.

If obtaining coverage through an employer is not an option then contact a qualified insurance agent or financial representative to review your options.

Hopefully you will never need to use it, but if you do, buying disability insurance could be the best decision you ever make. I know one man that really wishes he had.

If you see me around town please feel free to stop me and ask a question or mention a topic that you would like to see in a future issue. Or feel free to e-mail me at trisha@wealthstrategies.biz. Ideally I would love for every column to be an answer to a reader's request so I look forward to hearing more from you.

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