



## Preparing for the Bumps in Life

By Lynn Lavender, GuideINS

**Fact:** There is a 3 in 10 chance of a person suffering a disabling illness or injury that would keep them out of work for *three months or more*. In a separate study, 30 percent of full-time employees said they are not confident about paying their bills if they or another family member was out of work for three months.<sup>1</sup>

**Fact:** Slightly more than half (52%) of individuals turning age 65 will have a *high need* for Long Term Care services over their lifetime.<sup>2</sup>

Whether we incur an accident or debilitating illness during our working years or develop a chronic health condition in retirement, the chances are significant that our lives will be affected by one or the other or both.

*How do we buffer the financial consequences of being out of work for more than 3 months because of disability? .....DISABILITY INCOME INSURANCE (DI)*

*How do we protect our retirement income and the lifestyles of our loved ones from the infirmities of old age? .....LONG TERM CARE INSURANCE (LTCI)*

### **What is the difference between DI and LTCI?**

Disability Income Insurance is based upon loss of income. It helps pay the non-medical bills when you are unable to work due to illness or accidents

Long Term Care Insurance is based upon loss of function. It helps pay for services like home health aides, assisted living, adult day care and nursing home care that are not covered by health insurance

### **Disability Income Insurance:**

If you suffer an accident or illness during your working years, health insurance will pay your medical costs. However, health insurance will not pay your living expenses. Disability Income (DI) insurance ensures that you will receive a cash benefit that can replace up to two-thirds of your income if you are unable to work.

Although many employers do provide some benefits, it is usually not enough to cover all your bills. If the employer pays for coverage, the benefit will be considered taxable when received. If you pay for private Disability Insurance, the benefits are not taxable.

Whether it is employer provided or private coverage make sure you know the answers to the following:

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<sup>1</sup> Information sources: LIMRA, Life Happens, Council for Disability Awareness (CDA), and Social Security Disability Insurance (SSDI)

<sup>2</sup> Source: Department of Health and Human Services

1. What is the definition of disability? i.e. To qualify for benefits, do I have to be totally disabled or partially disabled? Do I have to be permanently disabled or temporarily disabled?
2. Is the benefit based upon a percentage of lost income or based upon the inability to perform the duties of my occupation?
3. How long do I have to be disabled before benefits are paid?
4. How many years will coverage last?
5. Will my benefits increase over time?
6. Do I have the option to increase my coverage as my income rises?
7. Calculate your DI needs: [www.lifehappens.org/dicalc](http://www.lifehappens.org/dicalc)

### **Long Term Care Insurance (LTCI)**

Traditional LTCI is designed to pay for chronic health needs that are not covered by ordinary health insurance or Medicare. Medicare and health insurance will pay for skilled care from professionals, hospitalizations, medical tests and limited rehabilitation services. Chronic health needs that are provided for by home health aides or services in assisted living and nursing homes are paid for either by personal assets or LTCI.

People who need chronic care are those who need assistance with the basic activities of daily life, like bathing, dressing, eating, mobility and personal care. Because caring for someone with chronic care needs is labor intensive and many hours of care are needed, the cost of care is very high. It is estimated the chronically ill to need 287 or more hours of care per month. At \$25/hour, the cost of care can fast erode savings.

LTCI pays home health aides, assisted living, adult day care and nursing home costs. If you are considering a Long Term Care Insurance policy, know the following:

1. The strength of the insurance company
2. What are the costs of care in your area or where you plan to live in later years
3. What is the daily or monthly benefit the policy covers?
4. Once you qualify for benefits, how long do you have to wait for payments to begin?
5. If you use your maximum benefit monthly, how long will your coverage last?
6. How will your benefits keep up with inflation?

If the premiums for traditional LTCI seem steep, it is because the insurers have so many claims. To keep costs down without compromising too much in benefit, ask your agent about coupling a traditional LTCI plan with a life insurance policy.

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