

# MoneyWorks



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## DISABILITY INSURANCE

- ▶ WHAT IS IT?
- ▶ WHY YOU NEED IT
- ▶ TAX IMPLICATIONS
- ▶ COVERAGE AND OPTIONS



*Simple, convenient and hassle-free, we have solutions that work for you.*

## Disability Insurance

### DISABILITY INSURANCE PROTECTS YOU WHEN YOU CANNOT WORK

While life insurance provides protection for an individual in the event of premature death, disability insurance provides financial protection to an individual who becomes unable to work because of health impairment. Disability insurance pays a benefit during the insured individual's lifetime and is commonly referred to as a living benefit. For the majority of working-age Canadians, their greatest asset is their ability to work and earn a living. The loss of this ability could result in financial disaster, if there is no financial safety net available to offset the loss.

Individual disability insurance provides a regular income when an insured individual suffers a disability, total or partial, depending upon the policy, which impairs him/her from working. There are a variety of features to incorporate into a plan. Talk to one of our Financial Advisors to customize your plan.

### WHY DO I NEED DISABILITY INSURANCE?

For most of us, our earning potential is our greatest asset. We make all sorts of financial commitments for the future based upon our ability to generate an income to pay for them.

### SUPPOSE YOU WERE NO LONGER ABLE TO WORK

How would you go about paying all of these financial commitments? This is where disability insurance plays its role. Disability insurance, in conjunction with other government programs, will provide a replacement for most of your lost income.

### HOW LIKELY AM I TO BECOME DISABLED?

The chances of you becoming disabled are greater than you think. Nearly one third of all people now aged 35 will be unable to work for at least six months before reaching the age of 65. The chance that you'll suffer a disability before retirement is five times greater than the chance you will die before retirement. Given these statistics, it is amazing that people are usually more concerned about life insurance than about disability insurance.

### HOW MUCH WILL I RECEIVE?

Each individual chooses the level of benefit they need, with the insurance company basing the maximum amount upon your income level and occupation. Usually the maximum available is close to the income you would have earned after income taxes are taken into account. The level of benefits can be increased by purchasing additional coverages, such as Business Overhead

### Points to consider

#### What is disability insurance?

- ▶ Disability insurance is a product that protects you and your family from undue financial burden if you should get sick or injured and cannot work.

#### You are very likely to be disabled

- ▶ Nearly one third of all people now aged 35 will be unable to work for six months before age 65.

#### Many sources of disability income

- ▶ You can also receive disability coverage from E.I., C.P.P., Workers' Compensation, and auto insurance.

#### Many different options

- ▶ Many different disability insurance options exist that will alter the coverage you receive and the cost of the coverage.

#### Seek professional advice

- ▶ Disability insurance can be quite confusing. Seek professional advice so you can make the right choice.

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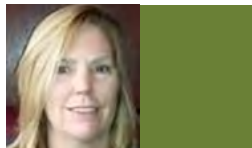
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Expenses or Retirement  
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## HOW ARE THE BENEFITS TAXED?

Disability insurance benefits are not taxed if you pay your own premiums. However, if your employer pays any portion of your premium, or other related costs, the benefits you receive will be taxed. For many shareholders of private corporations, this offers a distinct advantage; their corporation can pay the premium, which results in a tax deduction for the company, while the taxable benefits received will allow for continued tax and retirement planning.

## OTHER SOURCES OF DISABILITY INCOME

As employees, most Canadians are eligible to receive benefits from EI, Workers' Compensation, the Canada Pension Plan, and, in some provinces, auto insurance. Most employers today also have group benefit plans covering their employees.

Self employed individuals and major shareholders in corporations are also covered by some of these programs, but the insurance companies often discount access to them when calculating coverage available on private plans. You should make sure you understand how these programs interact with your disability insurance coverages so you will be fully aware of what



## Other Coverages

**Private coverages can be tailored to provide income or benefits to meet various needs, such as:**

- ▶ Reimbursement for small business "Overhead Costs"
- ▶ Replacement of the cost of losing a "Key Employee"
- ▶ Providing cash to complete a "Buy-Sell" triggered by a serious disability
- ▶ Continuing "Retirement Planning" asset accumulation

your income would be should you be hurt or sick and need to make a claim.

## DISABILITY INSURANCE OPTIONS

Disability insurance has many options which affect the benefits you would receive:

### Own occupation/Any occupation

- ▶ Some policies will pay benefits if you are unable to do your "own" or regular job while some will only pay if you cannot do "any" job.

### Residual policies

- ▶ These policies will top-up your income if you have a medical problem and lose income.

### Elimination period

- ▶ The elimination period is the time you have to wait before benefits will start. The longer the period, typically the lower your premiums will be.

### Duration of benefits

- ▶ Disability benefits are usually paid anywhere from two years up to your entire working career (often to age 65).

### Inflation protection

- ▶ You can have a cost of living allowance (COLA) rider on your policy so that your disability income will not be eroded by inflation.