

## money matters

### Understanding Disability Income Insurance

by J. Lynn Davidson, CFP  
Special to Q-Notes

The ability to earn a living is an asset many people take for granted. If you are young and in good health,



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it's unlikely you've given much thought to what would happen if you became disabled. Nevertheless, the best available actuarial information suggests that, at age 35, disability poses a greater risk for you than death. While the estimates vary, it's clear that a significant number of Americans face the risk of temporary or permanent total or partial disability at some point in their lives. Moreover, the risks associated with becoming disabled can have some unique implications for lesbians and gay men. Understanding the need for adequate disability insurance is an important part of any financial plan. Understanding the special needs that arise from the risk of disability is especially important for members of the gay community.

What are the special needs some gay men and lesbians may need to consider as part of their disability planning? Generally speaking, when an individual becomes disabled, a support network emerges to help this person adjust to his or her new circumstances, often providing assistance that lasts for the duration of the disability.

Almost always, this support network includes family members — parents, siblings, and/or children. It is unfortunate but true that many members of the gay community remain estranged from their biological families — either because of their orientation or because they have been unable to disclose their orientation. Consequently, the critical support network for organizing one's life after a disabling event may not exist for some members of the community.

Instead of relying on family, common tasks such as housekeeping, running errands, and so on may require paid assistance. Because of the unique fam-

ily circumstances in which some lesbians and gay men find themselves, disability actually may be more expensive than average for some members of the community.

Now that you've established the need, it's time to focus on ways to insure against it. Choosing the right disability policy can be a daunting task, and it's likely you'll want the help of a financial advisor. There are certain basic concepts you'll want to be familiar with before evaluating your options:

**Amount of Coverage.** Your policy should replace between 60 and 70 percent of your pre-disability income (for some higher incomes, usually \$80,000 or more, replacement can be at 30 to 40 percent).

**Definition of Disability.** Make sure your policy does not exclude coverage for "occupational" disabilities, which arise if you receive worker's compensation benefits. "Worker's comp" is not an adequate substitute for private disability insurance.

**Definition of Occupation.** Some policies provide coverage as soon as a disability prevents you from continuing to work in your own occupation; others require you to be unfit for work in any occupation before benefits begin. You may consider the latter unacceptable. If you can't find permanent "own occupation" coverage (which is increasingly difficult to obtain) your policy should provide "own occupation" benefits for a minimum initial period before it switches to an "any occupation" definition.

**Renewability.** In theory, there are six different types of renewability provisions that may be offered for any given policy. In order to avoid the risk your insurer could refuse to renew your policy at a time when you would be unable to obtain replacement coverage, look for insurance that cannot be cancelled or is guaranteed renewable. You may be offered other types of renewal provisions, but protection below these levels usually is inadequate.

**Waiting Period.** Sometimes called an elimination period, this refers to how long you have to wait after becoming disabled before benefits begin. 90 days is standard, but a longer waiting period can lower your premium.

**Inflation.** Your policy should include a cost-of-living adjustment, so any benefit payments that last over an extended period can keep pace with inflation.

**Waiver of Premium.** Your policy should include a provision waiving the payment of future premiums in the event of disability; otherwise, you would have to continue paying premiums while disabled in order to keep your insurance in effect.

**Definition of Illness/Sickness.** Make sure your

policy covers illnesses when they are "first manifested", not when they are "first contracted" or "begin." With the latter, benefits can be denied for an illness contracted before coverage begins — even if it's unknown at the time. This could be devastating for illnesses with long dormant periods like HIV or some forms of cancer. As an example, with an IDS Life, IDS Life/New York disability contract, the definition of sickness also includes a situation in which you are reasonably and lawfully mandated by a state licensing board not to perform the material and substantial duties of your regular occupation because you have an infectious disease as diagnosed by a physician.

Many people receive disability insurance as a fringe benefit from an employer. Often, this is adequate protection. If you have a policy at work, check to be sure it offers all the protection you need. Many insurance companies offer supplemental policies, both through your employer and in the private market, that can help bridge any gaps. Consulting a financial advisor may help you determine what's best for you. ▼

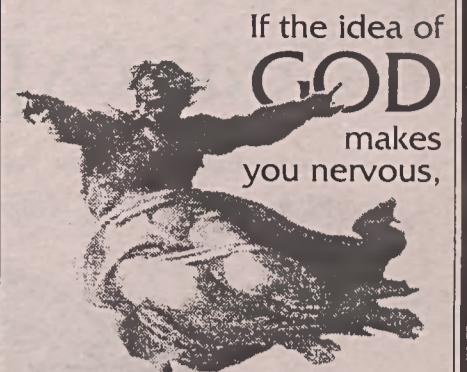
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