

Disability Insurance Doesn't Have to be Difficult

Disability Insurance doesn't have to be hard, or confusing! Focus on the main four things your client wants to know:

- 1) **How much?**
- 2) **How long?**
- 3) **How soon?**
- 4) **Cost?**

Let's break these four questions down just a little bit further:

1) **How much?**

How much benefit can I get if I do become disabled? We typically think benefits are 60% of a client's income. This is mostly true. For lower incomes, that percentage increases and for higher incomes the percentage decreases. In those high-income cases, the DI carriers feel like a portion of that income is discretionary and isn't typically covered.

2) **How long?**

How long will these benefits pay if I become disabled? This is the benefit period. In most scenarios, we try to get the longest benefit period possible. However, the longer the benefit period, the more premium a client will pay. While we would all love to have an age 65 benefit period, the reality is that industry-wide, if a client goes on claim, the average duration is about 2.5 years. Even a 5-year benefit period would help a client to recover or look at some other possible line of work to earn an income. I think we can all agree that we would rather see a client have some sort of income protection than not take one because they can't obtain or can't afford a longer benefit period.

3) **How soon?**

When would benefits start to pay if I become disabled? This is the elimination period. Most carriers have the most effective pricing with a 90-day elimination period. However, shorter and longer elimination periods are available. The shorter the elimination period, the more premium a client will receive. The longer the elimination period, the lower the premium. This is a little misleading because one may think moving from a 90-day elimination period to a 180-day elimination period would have substantial savings. The reality is that there is very little savings moving from 90 to 180 days.

4) Cost?

How much does a disability policy cost? Many clients grossly overthink the affordability of an income protection plan. The ultimate goal is to keep premiums between 1-3% of their income. Being able to set an expectation with a client is a huge step in the sales process. Many factors come into play for disability pricing. These include: gender, age, occupation, health history, as well as the things mentioned above with benefit amounts, elimination periods and benefit periods.

Should your client have detailed questions beyond these four things, please don't hesitate to reach out to us at NorthCentral DI. We are happy to get on a call or Zoom with you and the client to help with those detailed questions!

Here is a link to a consumer-friendly video you can share with clients that keeps disability insurance simple. [How does disability income insurance work?](#)

NorthCentral DI is your one-stop resource for all your disability insurance needs. We are here to assist with case design, illustrations, pre-screens and even income documentation review! Please give us a call at 866-598-0020 or email us at 3mark@northcentraldi.com.

