

## Disability Income Insurance Worksheet\*

A. Monthly income you need to support your lifestyle (debt payments, utilities, food, entertainment, education, etc) \$\_\_\_\_\_

Equals the elimination period in months: \_\_\_\_\_

Income needed to support your lifestyle (A): \$\_\_\_\_\_

B. Current investments that could be quickly converted to cash \$\_\_\_\_\_

Divided by monthly income needed \$\_\_\_\_\_

Subtract income from assets not figured in liquidity analysis such as pension plan assets, individual retirement accounts, income partnerships, etc (in excess of \$500,000), multiply value of these assets by 0.005 =

\$\_\_\_\_\_

C. Income expected from noninvestment sources like receivables, should you become disabled:

1st month \$\_\_\_\_\_ 2nd month \$\_\_\_\_\_ 3rd month \$\_\_\_\_\_

(For example,  $\$1,000,000 \times 0.005 = \$5,000$  monthly.)

**Amount of income needed from disability income insurance: \$\_\_\_\_\_**

### Elimination Period Calculation

Number of months receivables will support you: \_\_\_\_\_

Number of months liquid investments will support you (B): \_\_\_\_\_

\_\_\_\_\_  
\*Benefit period should always be at least to age 65 for sickness or accident and usually lifetime for both sickness and accident. Social Security disability benefits are not figured in because they cannot be depended upon; they are a margin-of-error benefit.

Source: Sutherland, PH. *Zenvesting, The Art of Abundance and Managing Money*. Suttons Bar, MI: Financial Sourcebook, 1998. A printable copy of this work sheet is available at [www.fimg.net](http://www.fimg.net)

Typically, it is unnecessary and a waste of money to buy policies that have provisions whereby the amount of disability payment goes up with inflation. It is better to take that premium and buy all the disability income insurance you possibly can. For example rather than buying a \$7,000 policy that has a benefit that will increase over time, it is smarter to have a \$10,000 monthly benefit that is leveled. The extra \$3,000 that you do not need initially can be reinvested to help offset future inflation, saved, used for additional medical expenses, or used to keep your practice open.

## Disability Letter

Dear Disability Carrier:

I have the following questions regarding my policy:

1. What is your definition of disability?
2. If I were unable to perform my job, would I be disabled?
3. If I am only partially disabled (at work one quarter time), does my policy give me a benefit?
4. If I am partially disabled and *working* half-time, do I get a benefit? If so, how much and for how long?
5. If I am partially disabled and *earn* one-half of what I earned prior to disability, what would my benefit be?
6. If I had a heart attack and was out of work for 1 year and started working again but only worked half days, would you pay me? If so, how much and for how long?
7. If I were disabled by a heart attack for a period of 3 years, then went back to work full-time, most of my clients would have found other professionals to handle their needs. Would you pay me (while I was working full time) a benefit while rebuilding my practice? If you would pay me a benefit, what would that benefit be and for how long?
8. Is this policy cancelable by you?
9. Are my premium rates guaranteed never to go up?
10. Does this policy pay a dividend?
11. Does this policy cover conditions existing prior to my taking out the policy?
12. Does my policy have any waivers on it? If so, why?
13. What is my current elimination period, and can I change it?
14. Is there a waiver of premium benefit on my policy?
15. If I were disabled and collected benefits for 6 months and then went back to work for 6 months before becoming disabled again, would I have to satisfy a new elimination period?
16. Does this policy have a presumptive disability benefit that pays me if I lose my sight, hearing, etc, even if I continue to work?
17. What is my policy's benefit period?
18. Can my policy's benefit period be changed to a lifetime sickness/lifetime accident benefit? If so, at what cost?
19. Does my policy have a cost-of-living benefit that raises my benefit as the Consumer Price Index rises? What does it cost? Can I add this benefit? Can I drop it? At what cost?

(continued)

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| <p>20. I have lost my policy. Please send me forms to request a duplicate policy.</p> <p>21. When was the last premium paid on this policy? When is the next due, and how much?</p> <p>22. Does your policy offer a nonsmoker discount?</p> <p>23. Is my policy a participating dividend-paying policy? If so, what dividends do you project? (I understand that dividends are not guaranteed.)</p> | <p>24. I am now in a group practice. Does your company have a group billing discount?</p> <p>25. Who is the owner on this policy?</p> <p>26. Who is the beneficiary?</p> <p>27. What is your company's rating for financial strength?</p> <p>28. Please send me a copy of my policy's complete application.</p> |
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Please send me the above information in writing, and thank you for your prompt attention.

Sincerely,

Source: Sutherland, Paul H. *Zenvesting, The Art of Abundance and Managing Money*. Suttons Bar, MI: Financial Sourcebook, 1998. A printable copy of this letter is available at [www.fimg.net](http://www.fimg.net)

Insurance agents make significant money on the bells and whistles (riders on policies) and add-on sales). A simple disability policy is best, one that gives you a benefit you know will pay should you become disabled. If you have a current policy, the “Disability and Income Letter” on page 000 can be written to your insurance company. The answers will give you a good understanding of what your policy would pay under various circumstances.

## Overhead Expense Insurance

Overhead expense insurance pays the costs of keeping your office open if you are disabled. Often receivables, liquid assets, and your partners cover for you if you are disabled. If you are a solo practitioner or partners could suffer financially if you were disabled for a year or two, consider having office overhead insurance to keep your practice open. In deciding what amount of office overhead expense is appropriate, use similar criteria to that for purchasing a personal disability policy. You should always buy enough coverage to pay only the expenses of maintaining your office