AMERICANA

Financial Group

FIELD GUIDE Nº 5

Disability Income

The asset that funds every other plan, and how it gets protected.

WARRENVILLE, ILLINOIS · LAS VEGAS, NEVADA

What's inside

> *Every other plan you have — the mortgage, the savings, the college fund — is powered by your income. This guide is about the coverage that keeps that engine running when you cannot.*

I
The asset nobody insures

The house is covered. The engine that pays for it usually is not.

Consider a 35-year-old earning $80,000. If earnings simply held flat to age 65, that is $2.4 million passing through their hands — more than the house, the cars, and the retirement accounts combined.

Almost everyone insures the house. Far fewer insure the income that pays the mortgage, funds the retirement plan, and keeps the life insurance premiums current.

> *A disability does not only stop income — it usually stops saving at the same time, while expenses continue and often rise.*

II

How disability is defined

The clause the entire policy turns on.

The definition of disability decides whether a claim pays. Two versions dominate:

Own-occupation — you are disabled if you cannot perform the material duties of *your specific occupation*, even if you could work in another field.

Any-occupation — you are disabled only if you cannot work in any job you are reasonably suited to by education, training, and experience. A far harder bar.

Many contracts use own-occupation for an initial period, then convert.

> *For a specialist whose earnings depend on a specific skill, this single definition can matter more than the benefit amount.*

III
Group coverage

What work provides, and where it stops.

Employer coverage is the most common — and the most commonly overestimated. **Short-term** disability typically replaces income for weeks to months. **Long-term** picks up after that, usually replacing around 60% of base pay, frequently capped at a monthly maximum.

Group plans often exclude bonus and commission income, and generally are not portable when you change jobs.

> *If a meaningful share of your pay is variable, check what the plan defines as covered earnings before you assume the percentage applies to all of it.*

IV

Individual policies

Coverage you own and take with you.

An individual policy is issued to you, not to your employer. You keep it when you change jobs, the carrier generally cannot cancel it as long as premiums are paid, and the terms are fixed in your contract.

It is medically underwritten and priced by age, occupation class, and health — which is the argument for buying it while young and healthy rather than when it feels urgent.

> *Individual coverage is frequently layered on top of a group plan to lift total replacement closer to actual take-home pay.*

V

Elimination & benefit periods

How long before it pays, and how long it lasts.

The **elimination period** is the waiting time between the disability and the first check — commonly 30, 60, 90, or 180 days. A longer wait lowers the premium, but you have to fund that gap yourself.

The **benefit period** is how long payments continue: two years, five years, or through to retirement age. Long-duration disabilities are the ones capable of undoing a financial plan.

> *Match the elimination period to your actual emergency reserve. A 90-day wait needs roughly three months of expenses sitting in cash.*

VI
Riders

The provisions that keep a benefit relevant.

Residual or partial — pays when you return to work at reduced capacity or income. One of the most-used provisions, since many claims are partial rather than total.

Cost-of-living adjustment — indexes the benefit once a claim begins, so a twenty-year claim is not slowly eroded by inflation.

Future increase option — the right to raise coverage as income grows, without new medical underwriting.

> *For anyone early in a rising career, a future increase option preserves insurability at today's health.*

VII
How benefits are taxed

Who paid the premium decides.

The rule is simple and frequently misunderstood: **if premiums were paid with pre-tax dollars, benefits are generally taxable. If you paid with after-tax dollars, benefits are generally received tax-free.**

That is why an employer plan replacing 60% of pay may deliver noticeably less than 60% in spendable income — while an individual policy you funded yourself typically pays out whole.

> *Compare coverage on an after-tax basis. It is the only comparison that reflects what actually reaches the household.*

VIII
Social Security Disability

A backstop, not a plan.

Social Security Disability Insurance exists, but its standard is strict: you must be unable to engage in substantial gainful activity, with a condition expected to last at least a year or result in death. There is no partial benefit.

Approval rates on initial applications are low, appeals take time, and the benefit is modest. It is a floor beneath a plan — not the plan.

> *Private coverage is usually designed to coordinate with, rather than duplicate, any government benefit.*

IX
Reading your own coverage

Five questions to ask of the policy you already have.

Pull the certificate and answer these:

- What **definition** of disability applies, and for how long?
- What **percentage** of pay is replaced, and is there a monthly cap?
- Which **earnings** count — base only, or bonus and commission too?
- How long is the **elimination period**?
- Are benefits **taxable** to you?

> *Most people discover the gap at claim time. Ten minutes with the certificate today is the cheaper way to find it.*

Now check your own numbers.

Bring the disability certificate from work and a recent pay stub. We will show you what would actually arrive each month if the income stopped — and what it would take to close the gap.

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Warrenville, IL · 630-389-3014
Las Vegas, NV · 702-867-3177
info@americanafg.com