



Disability Insurance for Attorneys at Every Stage of Your Career

Your most valuable asset is your ability to work and produce an income. What would happen if you were too sick or injured to work? Do you have enough savings to sustain your lifestyle? Do you have a policy through your employer? If so, is it sufficient?

Disability insurance can be a complicated product. It is important to consider your life stage when determining the most suitable policy for your needs. Also, as you navigate through your career, it is important to reassess your disability insurance needs. It may be prudent to make modifications as your life circumstances change.

The Basics

There are five companies that provide individual disability policies to attorneys: Guardian, Principal, Standard, MassMutual, and Ameritas.



Here are the basic parts of a disability insurance policy.

- **Monthly benefit.** The amount of monthly benefit you are eligible for depends on your income and if you have a group disability policy through your employer. It is important to calculate the amount you need for your household.
- **Portability.** Individual policies are portable. If you leave your employer or move to a different state, you may take your policy with you.
- **Employer Coverage.** It is common for law firms to provide benefits to their employees. However, there are several drawbacks to consider. Most policies pay a percentage of your income such as 60% to a maximum, such as \$10k/month. If the employer is paying the premium, the benefits are taxable to you. Most group policies require you to be totally disabled to receive benefits.
- **Definition of Disability.** It is important that you have a policy that will cover you if you can't work in your occupation, regardless of income earned in another occupation. The top six companies listed have a true own occupation definition of disability. Without this definition, the company has the discretion to determine whether or not you are considered disabled.
- **Riders**
 - o **Residual/partial** disability policy that will cover you if you aren't totally disabled. The policy typically requires you to have a 15% or 20% loss of income to trigger a claim.
 - o **Increase options** that allow you to increase benefits in the future without answering medical questions.
 - o **Noncancelable, guaranteed renewable language.** Once you have a contract, they cannot modify or change your contract or increase your premiums.
 - o **COLA.** A Cost of Living Adjustment Rider will increase your benefits each year after you have been on claim for one year.
 - o **Other.** There are other riders that are typically not recommended such as a loan payment rider, CAT catastrophic rider and a retirement rider.

Early in Your Career

Most people consider purchasing individual disability insurance when they graduate law school or are early in their career. There are several reasons to consider purchasing during this time of your career.

- Law students may purchase up to \$2,000/month.
- Attorneys in their first year out of law school may purchase up to \$4,000/month regardless of income.



- No labs (blood and urine test) are necessary if purchasing less than \$10,000/month benefit.
- When you purchase your policy at this stage you are locking in your rate at your current age and health, which is likely the least expensive your rate will ever be. Once you have your policy, you may increase it in the future without answering any future medical questions.
- Early in your career you will want to stack your policy with most or all of the available riders since you are at the most vulnerable time in your career. You have the most potential income and likely the largest amount of debt you will ever have as well as the least amount of assets.
- ABA member discounts are available through Set for Life Insurance.

Law Career in Your 30s

- During this stage of your career, the amount of available benefit will be based on your income and any group disability benefits in force.
- If you purchase more than \$10,000/month benefit, you will likely need to complete a paramedical exam (blood and urine test).
- You will want to make sure you keep your policy up to date as your income changes and if your employee benefits change.
- As you settle into your career, it is important to continue to review your policy when you have a life change such as purchasing a house, changing jobs, getting married, having children, divorce, change in health, moving to a different state or receiving a significant change in income.

Middle Age

- As you pay down your debt and accumulate assets, it is important to reassess your needs. Ask yourself the following questions to determine how to maintain your policy.
 - o How much nontaxable benefit do I need to have to pay my bills?
 - o Have you paid off debt and no longer have the burden of monthly payments?
 - o Has your health changed?
 - o Have you accumulated substantial assets elsewhere? If so, you may be able to remove the COLA rider, increase the elimination period and/or reduce the monthly benefit depending on your new criteria.



Retirement

As you approach retirement, it is important to take a look at your financial situation and determine how much longer you need to keep your policy.

- If you have had an adverse change in health, you may want to consider keeping the policy since you would likely not be able to go out and purchase the policy again. You may also need to file a claim in the coming years.
- If you have had a change in health but have accumulated assets, you may want to consider modifying the policy by reducing the benefit, dropping the COLA rider, increasing the elimination period and/or reducing the benefit period.
- If you have accumulated enough assets where you can live off of your own funds, you may not need your policy anymore. First assess what you have through your employer and make sure there would not be any penalties to tap your assets if you were to become disabled and needed to retrieve the money.
- The policy will automatically expire at age 65. If you wish to continue the policy at that time, you need to prove you are working at least 32 hours a week and the benefit period will change to 24 months (depending on the company).
- If you decide to drop your policy, you may want to consider a long term care policy which would help protect your needs during your retirement years.

For more information about disability insurance, to review your current disability insurance or to request a quote, contact Set for Life Insurance today!

Jamie Fleischner, CLU, ChFC
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Jamie Fleischner is a nationally recognized independent insurance broker. Since 1993 she has specialized in helping thousands of high income professionals with their disability insurance, term life insurance and long term care needs. She helps her clients by shopping around to find the most suitable policy at the best available rate.

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