

## **Ea\$y Money – Disability Insurance**

**What it is:** Being sick and disabled is difficult and stressful. Hospitalizations and medications for illnesses are expensive and illnesses often impact the ability to work. These are some of the reasons why health and disability insurance are is so important.

**How it works:** Disability insurance is usually categorized as short-term or long-term. Short-term insurance will often extend a few weeks or months. Medical expenses and other expenses pertaining to the disability are usually covered and many people receive up to 60% of a salary. The second type of disability insurance is long-term premium and it is designed to cover long-term services and supports including personal and custodial care either in-home or in a facility. Daily living services such as bathing and dressing are frequently covered as well.

**Why it matters:** Since long-term insurance covers so much it can be expensive so take time to check with your employer first and make sure that it is not yet offered by your company. Many companies offer disability benefits to their employees based on salary and the expected income loss if you ever become disabled. If you are self-employed or a new business owner review your insurance needs and compare policies. There are policies that will cover your income loss if you become disabled, a partner's disability, valuable employee disability, etc.

The cost of your long-term care policy will vary according to your age, payout per day, and the life of the policy and many policies will end after two to five years. Once you become disabled and apply for benefits, you have to wait for a certain amount of time after the onset of your disability before you receive benefits (ranging from 30 to 720 days).

**Who should care?** Although insurance is important for everyone, disability insurance is especially important for individuals who are the sole providers for the family. Your chances of being disabled for longer than three months are much greater than your chances of dying prematurely; approximately one in eight people become disabled each year. But many injuries or illnesses do not disable you permanently and after a rehabilitation period, you may be able to return to work full- or

part-time. Think carefully about your cash flow and future income needs and how much insurance you might need to help determine the appropriate insurance policy.

**For more information**

- Iowa State University Extension and Outreach Money Blogs tips  
<http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach website at  
[www.extension.iastate.edu/humansciences/](http://www.extension.iastate.edu/humansciences/)
- National Association of Insurance Commissioners, [www.naic.org](http://www.naic.org)