

Are You Protected From Disability Risk?

Like many people, you may try to stay healthy by exercising regularly, following a good diet and avoiding dangerous activities. But as we all know, life is unpredictable, and despite your best efforts, you may encounter an injury or illness that can leave you unable to work for several months—or longer. If this happened, would you have difficulty paying your bills? Or would you be forced to dip into investments meant to help you achieve long-term goals, such as a comfortable retirement?

To help prevent these outcomes, you may want to protect yourself against the possibility of a disability. One good move is to build an emergency fund containing up to six months' worth of living expenses, with the money kept in a liquid account. Even if you never need this fund for a disability, it's hardly a wasted effort, because you could use the funds for other unexpected costs, such as a major repair to your home or car.

But to feel truly prepared for a disability that could threaten your financial situation, you may also need to consider disability insurance. If you work for a mid-size or large company, your employer may offer group coverage as an employee benefit. This coverage can be valuable, but it may not be sufficient. For one thing, many employer-sponsored disability policies won't fully replace your lost income. Also, some group policies may make you wait longer than you'd like before your benefits kick in. And these policies aren't always "portable," either — if you leave your job, you might also be leaving behind your disability plan.

For these reasons, you may want to consider purchasing a long-term disability insurance policy. However, the features of these policies vary greatly, so you'll want to be diligent in choosing the policy that's right for you.

What are the key features to compare among policies? For starters, look at the type of policy — is it noncancelable or guaranteed renewable? With a noncancelable policy, the terms and premiums can't be changed, but a guaranteed renewable policy can increase premiums.

Here are some other features to consider:

- **Coverage amount** – How much will you

receive in benefits? You may be able to replace up to 100% of your after-tax income.

- **Waiting period** – How much time must pass from the onset of your disability until you start receiving benefits?

- **Benefit duration** – How long will you receive benefits? To protect against a long-term disability, you might want a policy that replaces income until your planned retirement age.

- **Inflation coverage** – How much will your benefits increase each year? Ideally, you'd like your benefits to keep pace with inflation and keep up with what you might receive from future salary increases or promotions.

- **Definition of disability** – If you choose an "Own Occupation" policy, you'll receive benefits if you can't work at the job you had when you became disabled. With an "Any Occupation" policy, you'll receive benefits if you can't work at any job based on your qualifications.

Clearly, there's much to consider when choosing a disability policy. You might want to consult with a financial professional, who can help you pick a policy that fits within your overall financial strategy. But don't wait too long — you may never need to use this protection, but you might like having it available.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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