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Group Disability Insurance



If a disabling illness or injury were to prevent you from working for weeks, months, or even years, how would you support yourself and your family? If disability strikes, you may discover that your most valuable asset isn't your home or your savings--it's your ability to earn a living. Fortunately, group disability insurance can help protect you. Whether it's offered through your employer, school, trade group, or another association to which you belong, group disability insurance is an affordable solution to your need for income protection.

What is group disability insurance?

Like other types of disability insurance, group disability insurance pays you a benefit that replaces part of your earned income when you're sick or injured and can no longer work. A group disability policy covers all eligible members of a group that has a common interest or association, and may offer special terms, conditions, and rates.

Short-term and long-term

There are two major types of group disability coverage: short-term and long-term.

Short-term disability insurance plans generally pay benefits for several months, or occasionally as long as 2 years. In the case of employer-sponsored coverage, benefits often start once you exhaust your sick leave.

Long-term disability insurance plans may pay benefits for several years, or until age 65, and may be coordinated with benefits from a short-term plan so that your disability coverage is continuous.

Ideally, you'll want to have both types of coverage. While it's true that short-term disabilities are more common, long-term disabilities can be even more financially devastating.

Group disability features

- Group disability insurance is often more affordable than individual disability income insurance.
- You may pay the entire premium cost, or if coverage is offered through your employer, your employer may pay all or part of the cost.
- Group disability insurance often has flexible underwriting. During initial or open enrollment periods, you may not have to pass a physical. Some plans even cover disabilities related to a pre-existing condition, although a waiting period typically applies.
- Your premiums may go up periodically. Many group plans typically guarantee premiums for a certain period (e.g., 1 to 5 years), but may increase rates at the end of that period for the entire group.
- Plans may include certain base benefits, with the option to add on other benefits at an additional cost.
- "You can't take it with you" is a phrase that typically applies to employer-sponsored group disability coverage; when you leave your job, your group disability coverage will end. In addition, you usually can't convert group disability to an individual disability policy.
- Group disability benefits will generally be reduced by payments you receive from workers' compensation, Social Security, and other government programs.
- Benefits you receive may or may not be taxable, depending on who pays the premiums. Generally, if either you or your employer pays the premium using pretax dollars, then benefits you receive will be taxable. Consult a tax professional for more information.
- Group disability can supplement benefits you receive from an individual disability income policy (a total benefit limit may apply).



Most people don't expect to become disabled, but your risk may be greater than you think.



Are you really protected?

Many people believe they already have adequate disability coverage through workers' compensation or Social Security, but that's not always the case. Here are the facts:

- *Workers' compensation pays benefits only to workers who are disabled on the job; if you suffer an accident or illness that is non-work related, you will not receive disability benefits under this program.*
- *Social Security disability insurance provides long-term disability benefits, but eligibility rules are strict. To qualify, you must be unable to work at any job (not just your own job) and your disability must be expected to last for at least 12 months or end in death.*

Group disability coverage: what to look for

Understanding your disability coverage is important. Here are 4 major points to consider when reviewing a group disability plan:

Benefit period

How long will you receive benefits once you become disabled? Typical benefit periods for long-term plans are 2 years, 5 years, or up to age 65, while typical benefit periods for short-term plans are 13 weeks or 26 weeks (some plans may offer benefits for up to 2 years). Policies may further limit the amount of time you can receive benefits due to alcoholism, drug addiction, or a mental, nervous, or emotional disorder.

Elimination period

How long will you have to wait once you become disabled before you begin receiving benefits? Elimination periods (sometimes called "waiting periods") for long-term disability plans range from 30 to 180 days, while elimination periods for short-term disability plans generally range from 1 to 14 days.

Level of coverage

What percentage of your income will the disability policy cover? Disability policies typically pay a benefit equal to 50 to 70% of your gross monthly base salary. A monthly maximum benefit may apply.

Definition of disability

How does the plan define disability? To receive benefits, you generally must be under the care of a doctor because of illness or accidental injury that impairs your ability to work either in "your own occupation" (your regular job) or in "any occupation" for which you might be qualified, based on education, experience, training, and past earnings. Some group disability plans incorporate the two definitions, paying benefits for an initial period (generally 2 years) based on the "own occupation" definition, then continuing to pay benefits if you meet the "any occupation" definition of disability. Some plans may cover partial disabilities, while others will require that you be totally disabled to receive benefits.

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