

# LTD is a Critical Financial Planning Tool

An unexpected illness or injury can seriously impact your financial stability. For this reason, it is critical to have an income protection plan in place that you can depend on in the event that you face a disability during your working years. Long Term Disability ("LTD") insurance can provide this piece of mind for you and your family.

LTD insurance serves as a supplement to Short Term Disability insurance, Workers' Compensation and Social Security Disability insurance and typically pays a monthly benefit until you reach Social Security retirement age. The monthly benefit is calculated off of your salary and typically falls between the range of 60-70 percent of your gross monthly income. If you feel that additional coverage is required, you can elect to purchase it through your employer or even opt to purchase a private disability insurance plan through your insurer. Private disability insurance plans can often be "stacked," as in, added onto whatever group coverage you have previously chosen. You should choose a plan carefully to ensure that the policy will provide adequate income replacement while you are out of work. However, in preparing to do so, it is important to remember that the costs of LTD policies rise with the more income protection you purchase. Therefore, in considering your coverage options, it is important to evaluate your overall financial picture. For example, if you have an established emergency fund, other savings or other income streams, it would be wise to review your budget to determine just how much LTD coverage you need so that you can purchase an affordable policy that will be in line with your financial goals.

Most LTD plans contain language that the income replacement value is calculated only on your salary from work. Such

language would exclude any monies received from bonuses, commissions and reimbursements, if you receive these items from your employer as part of your compensation package. In addition, most LTD plans contain offset language which allows the insurance company to deduct any monies that you receive from a Workers' Compensation, Social Security Disability or other third party liability award from your total monthly LTD benefit. Lastly, most LTD policies allow you to choose how you would like to have any tax obligations calculated, either pre- or post-tax. Understanding the tax implications is another key element to understanding your overall LTD coverage package and is best to speak to your tax advisor about the best option for you.

While it's a good idea for everyone to obtain income replacement insurance, it is especially critical for anyone who has invested heavily into their career. For any working professional, the risk of losing your occupational investment far outweighs the cost of a LTD insurance. In addition, anyone who has dependents will benefit heavily from the monthly income stream afforded by an LTD plan as this money will help you provide for your family.

While LTD insurance is an important financial planning tool, it is extremely important that you understand the coverage that you currently have or plan to purchase. Therefore, it is critical to consult with an attorney that specializes in LTD insurance so that you can be fully informed as to the actual limits of your coverage. At Martin Law, we provide a free consultation, policy review and application filing. Contact the experts to ensure that you can maximize the benefits of your LTD policy.