

# Financial

The Fundamentals of Financial Well-Being



## Protecting Your Income





## The value of your income

Your income funds all parts of your life – not just your mortgage and retirement, but how you spend quality time with your family, interact with your community and advance your career.

Many people don't think of their income in this way, but the reality is that everything you do depends on your income. That's how valuable it truly is.

# Your income is your biggest asset

To determine just how big an asset your cumulative lifetime income may be, simply take your current income and multiply it by the number of years until retirement.

When compared to other assets you may own, such as your home or your car, your ability to earn an income is oftentimes far and away your single biggest asset.

Remaining Years  
of Employment

X

Salary<sup>1</sup>

=

Cumulative  
Lifetime  
Income

## There are three involuntary risks to your income:



### Death

It's often not an easy subject to talk about in such blunt terms, but if you were to die, your income would stop.



### Unemployment

Thankfully, unemployment is usually not final, and unemployment insurance can help for a period of time.



### Disability

Unlike death, which is final, and unemployment, which may only be temporary, a disability and the loss of income may or may not last the rest of your working years.

<sup>1</sup> Does not take into account any salary increases in the future.

# Understanding the risk of disability

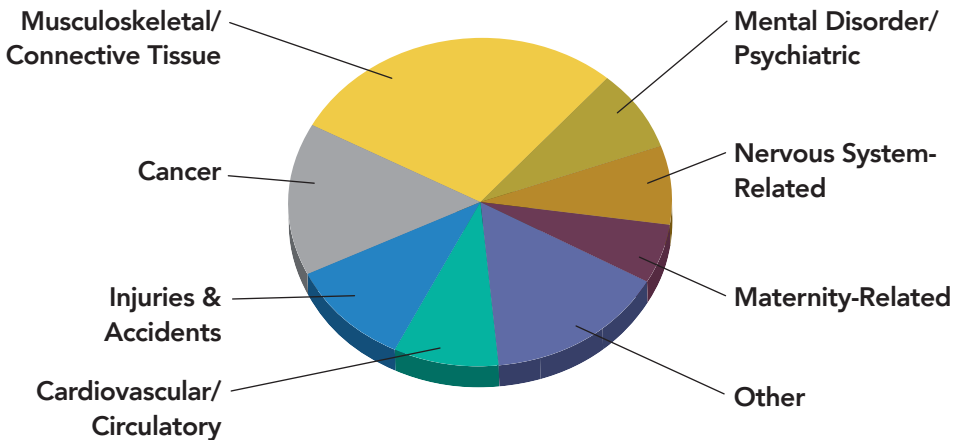
For today's 20-year-olds, the risk of becoming disabled before age 67 is 1 in 4.<sup>2</sup>

1 in 4



The most common cause of a disability is illness, not an accident or injury.<sup>3</sup>

The top two causes of a disability claim are musculoskeletal/connective tissue disorders (such as severe arthritis) and cancer.<sup>4</sup>



<sup>2</sup> U.S. Social Security Administration, Fact Sheet, June 2016

<sup>3</sup> The 2014 Council for Disability Awareness Long-Term Disability Claims Review

<sup>4</sup> "New" claims are those approved for benefits in 2013. Source: The 2014 Council for Disability Awareness Long-Term Disability Claims Review

<sup>3</sup> Disability Awareness Long-Term Disability Claims Review

# Sources of income replacement

Should you suffer a disability and become too sick or hurt to work and earn an income for an extended period of time, there are a few sources of income replacement available to you.

Each of these sources of income has limitations, and it is important that you understand each one:



## Social Security Disability Insurance

Your awarded monthly Social Security disability benefits may not be enough.<sup>5</sup>



## Workers' Compensation

May not be eligible because less than 5% of disabling accidents and illnesses are work-related.<sup>6</sup>



## Employer Group Long-Term Disability Insurance

May not provide as much income replacement as you may think.



## Individual Disability Income Insurance

May require full medical and financial underwriting. Often more expensive than group long-term disability income insurance.

<sup>5</sup> In May 2017, Social Security paid an average monthly disability benefit of \$1,171.65. Source: Social Security Administration Monthly Statistical Snapshot, May 2017

<sup>6</sup> Council for Disability Awareness, Long-Term Disability Claims Review, 2014

# Employer Group Long-Term Disability (GLTD)

**Employer Group Long-Term Disability** is a great benefit, and you should be taking full advantage of it if your employer offers it.

A GLTD benefit may have limitations that can create a “Disability Income Gap”: the difference between current income and the GLTD benefits you may receive if you become disabled. A typical GLTD offering may:

- Replace about 60% of your salary
- Have monthly benefit caps
- Have benefits payable that are taxable
- Not replace variable income, such as bonuses

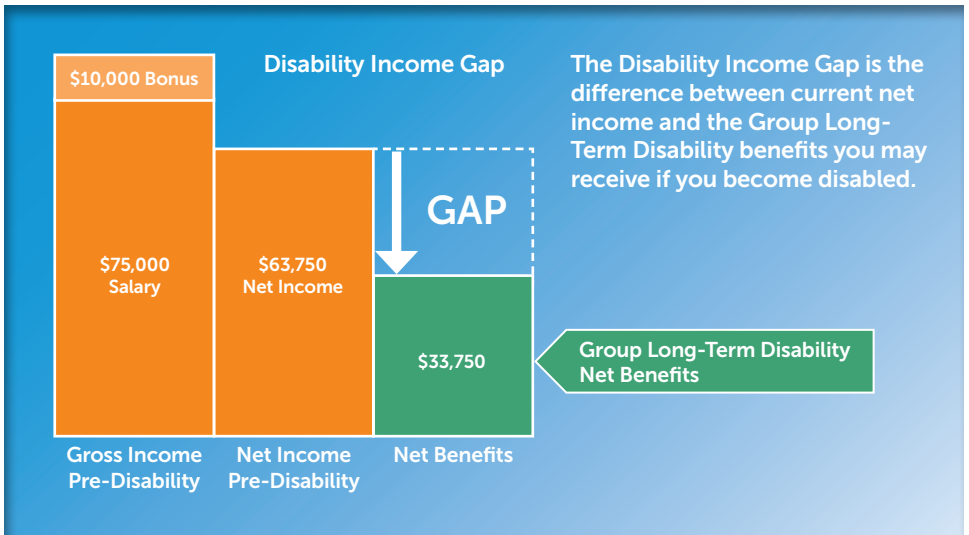
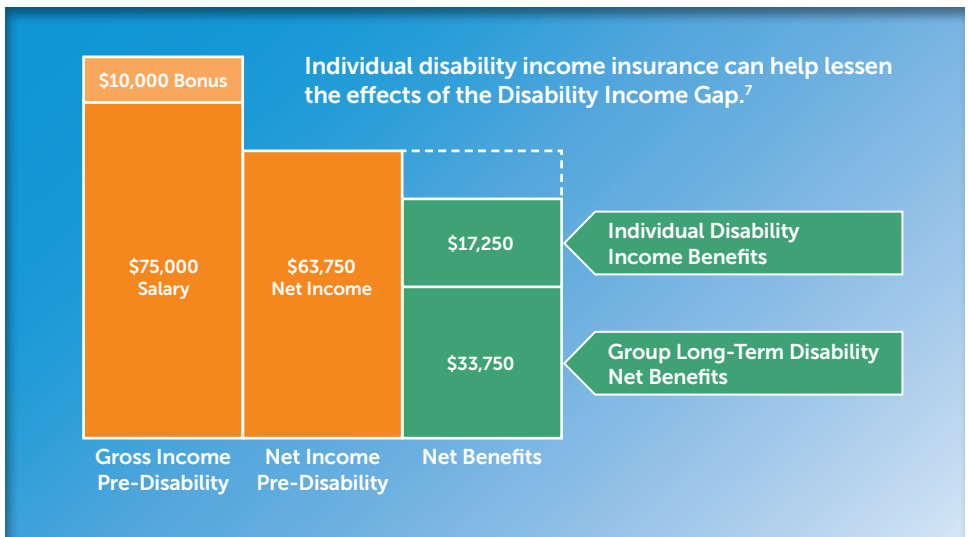


Chart above assumes GLTD coverage of 60% of base salary only, GLTD premiums paid for by the employer, and a 25% tax rate. Your actual tax rate may vary.

# Individual Disability Income Insurance (DI)

**Individual Disability Income Insurance** functions in a similar way to GLTD: It replaces a portion of your income if you become disabled. But, the difference is that Individual DI:

- Can cover income that's not covered under GLTD, including variable compensation
- Can help minimize the Disability Income Gap
- Benefits paid are generally non-taxable, since the premiums are paid for by you
- Is fully portable, which means you can take it with you wherever your career may lead



<sup>7</sup> Individual disability income insurance does not coordinate with GLTD coverage. Claim decisions are rendered independent of each other.

Chart above assumes GLTD coverage of 60% of base salary only, GLTD premiums paid for by the employer, individual DI premiums paid for by employee, and a 25% tax rate. Your actual tax rate may vary.

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