7 Things Disabled Clients Wished They Had Known In Advance

1. Treat the possibility of becoming disabled as seriously as premature death.
All of the current or previously disabled clients I interviewed indicated that they knew how much life insurance they had in force (almost to the penny), had current estate planning documents with guardians and trustees in place (with backups as well), but they weren't prepared financially or logistically for a disability.

2. Don't assume that your employer long-term disability insurance benefits are sufficient.
Many learned after the fact that the income replacement benefits were taxable since their employer paid the premium. Adding insult to injury, while the benefit booklets included plan designs with 60% income replacement, their benefits were going to fall short. Either the monthly benefit under their employer plan was too low, or not all of their compensation was considered eligible income. Group plans can, and frequently do, exclude bonuses and other incentive compensations that comprise a high percentage of earned income.

3. Continuing to work while disabled can negatively impact income replacement.
Group long-term disability plans consider actual earned income when calculating benefits — not your projected salary. Those employees who attempted to continue working and earned less income ultimately received lower monthly benefits. Clients with chronic conditions who attempted to continue working were penalized financially without knowing it.

4. Expenses actually increase when you're disabled.
No matter how robust your health insurance plans appear, out-of-pocket expenses for co-insurance, deductibles and supplies mount quickly. Coupled with the fact that a spouse may take time off from work and need additional child care, household help, etc., most disabled families find that expenses increase even when expensive travel or other activities are postponed.

5. Family members would've preferred to help pay an insurance premium in lieu of a mortgage payment.
If asked, family members would've gladly contributed to the predictable premium for disability insurance or long term care insurance when it was deemed unaffordable. The monthly premium for disability insurance would've provided much-needed support for pennies on the dollar. Several clients assumed that their family members were in a position to lend a hand without impacting their lifestyle, and most were ill-informed of the reality.

6. Managing a spouse with a disability can be a full-time job.
With a high percentage of couples both working outside the home, the conventional wisdom was that they could make ends meet as long as one spouse was still bringing home a paycheck. Unfortunately, this didn't always work out as planned since many found themselves advocating for their spouse, coordinating doctor appointments and tests, frequenting the emergency room, etc. Caring for their spouse became their full-time job and while FMLA was available for many, it didn't replace lost income when vacation days were exhausted. The single largest reason employees take premature distributions from qualified plans or IRA accounts is in the event of a disability.

7. Hire a true financial advisor as opposed to an investment advisor.
While several clients had advisors who helped manage their portfolios, few worked with a financial advisor to develop and implement a financial plan for them. Instead, they tended to focus on investment returns and failed to construct a basic financial plan to address important aspects of planning. All agreed a true financial advisor would've helped create a plan to address this risk.

Whether a disability is short term or long term, the impact can be permanent without adequate planning. Lack of adequate income replacement often results in "robbing Peter to pay Paul" with long-term financial damage. Several clients indicated that they were forced to raid IRAs and other savings to make ends meet, thereby incurring penalties and taxes as well as market value adjustments.

The ability to earn an income is our clients' greatest asset, yet few are holding our clients' feet to the fire to construct a plan that will address this contingency.

Contact us today to learn more: (323) 335-8200 or https://dauntlessfinancialfreedom.agency/