

Individual Disability Income Insurance

# Protecting your Client's Retirement from a Disability

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Did you know that nearly half of the one million Americans who filed for bankruptcy protection in 1999 did so after being sidelined by an unexpected illness or injury?

Source: New York Post, April 13, 2000, "There's No Insuring You Won't Go Bankrupt."

# Is there really a need?

“American workers (at firms with 10-1,000 employees) continue to live in a state of worry about their financial security.”\*

\*According to results of the third quarter 2004 Principal Financial Well-Being Index<sup>SM</sup>. The Principal Financial Well-Being Index is a quarterly study that identifies and tracks trends in consumer financial well-being, retirement planning, employee benefits and workplace trends. It is conducted by Harris Interactive and commissioned by the Principal Financial Group<sup>®</sup>, the nation's 401(k) leader.

# Why Disability Coverage?

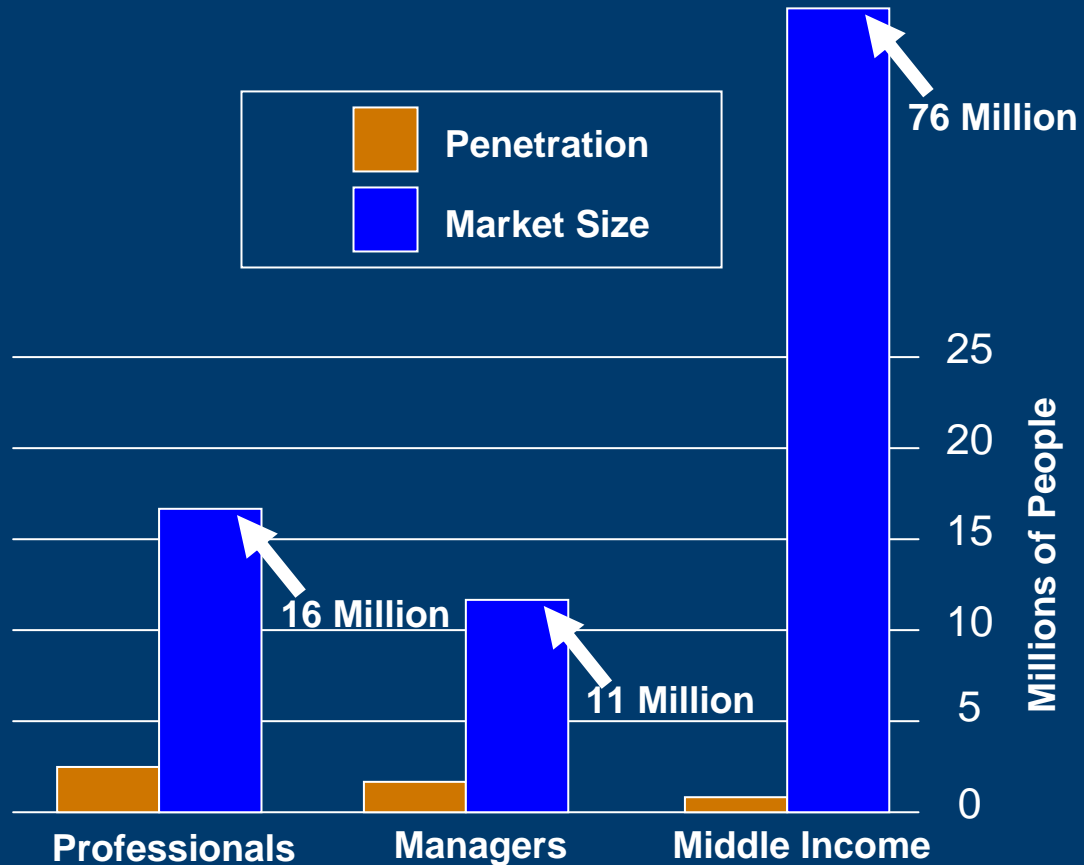
Over their careers, workers are three and a half times more likely to be injured and need disability coverage than they are to die and need life insurance.

(Source: Health Insurance Association of America, 2000)

# Significant Market Potential

Estimated Individual disability market-size and penetration.

Penetration is minimal.



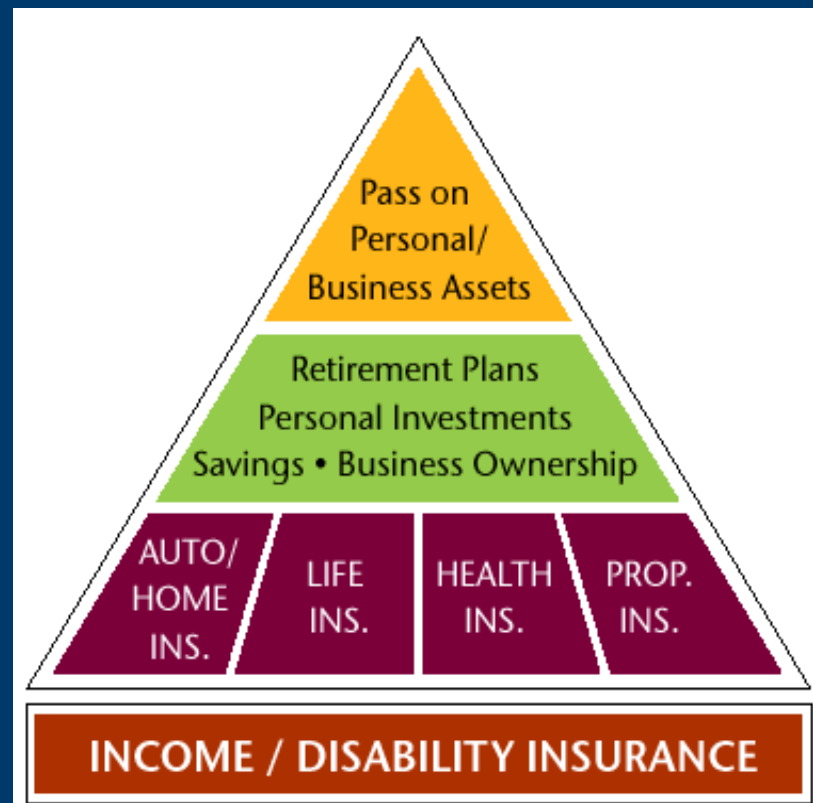
Source: Response Analysis Corporation, 1994

# Life is full of risks

Odds for Risk	Covered by Insurance
1 out of 5	that your client's auto will be damaged in an accident
1 out of 21	that your client will have a disabling accident
1 out of 96	that your client will have a fire
1 out of 114	that they will die

Source: Field Guide 2001, National Safety Council, World Almanac

# Income is the foundation of any financial plan



# Protecting Retirement Savings

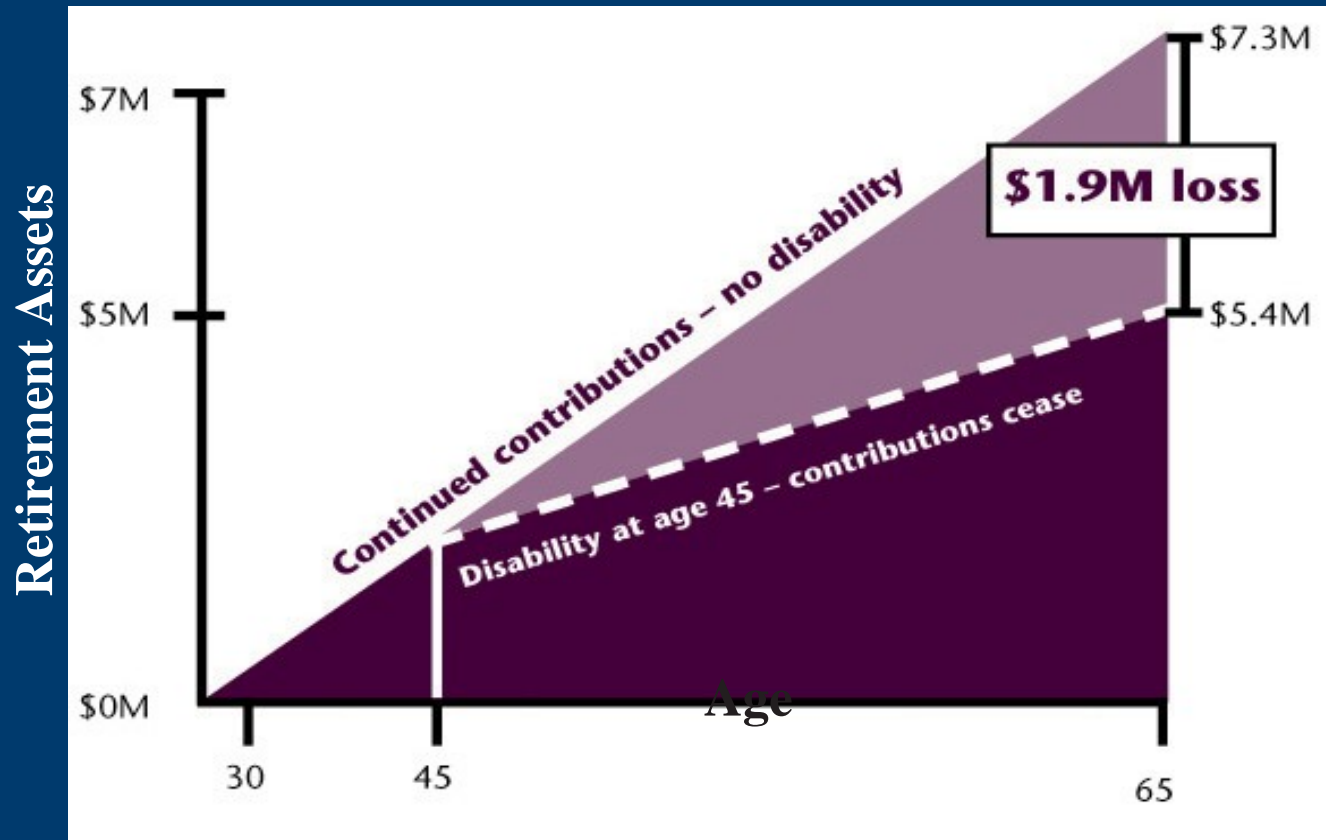
Your clients have probably started saving for retirement. What would happen if they suffered a disabling illness or injury and could not work?

# Coverage Overview

Traditional individual disability income (DI) insurance policy:

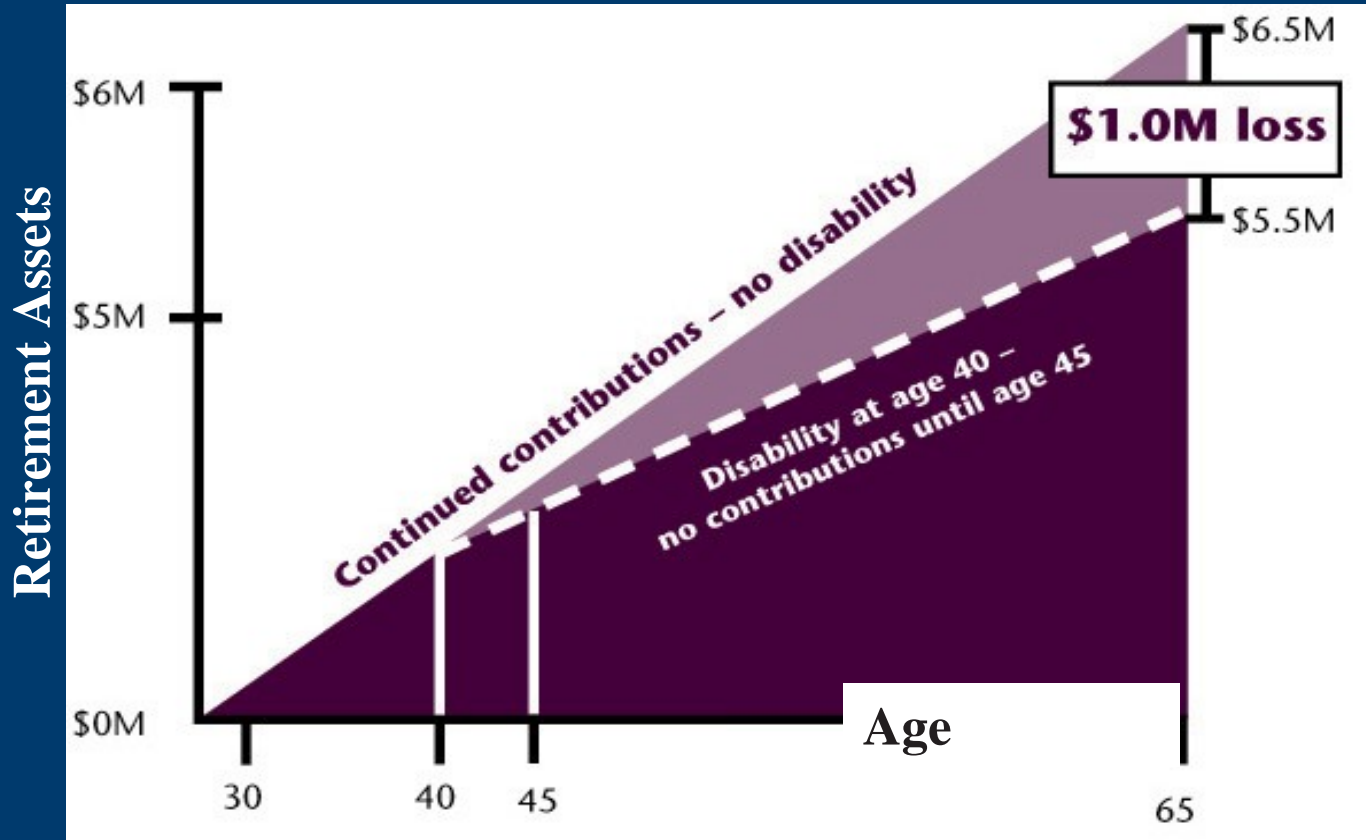
- Pays a monthly benefit to help you cover personal living expenses (mortgage, utilities, etc.) during a disability

# Impact of a permanent disability on retirement savings at age 45



Assumptions: \$3,400/month contributions beginning at age 30, 8% rate of return and age 65 retirement. Consequences of disability at age 45, without retirement savings protection.

# Impact of a 5-Year disability on retirement savings



Assumptions: \$3,000/month contributions beginning at age 30, 8% rate of return and age 65 retirement. Consequences of a five-year disability at age 40, without retirement savings protection.

# Solution...

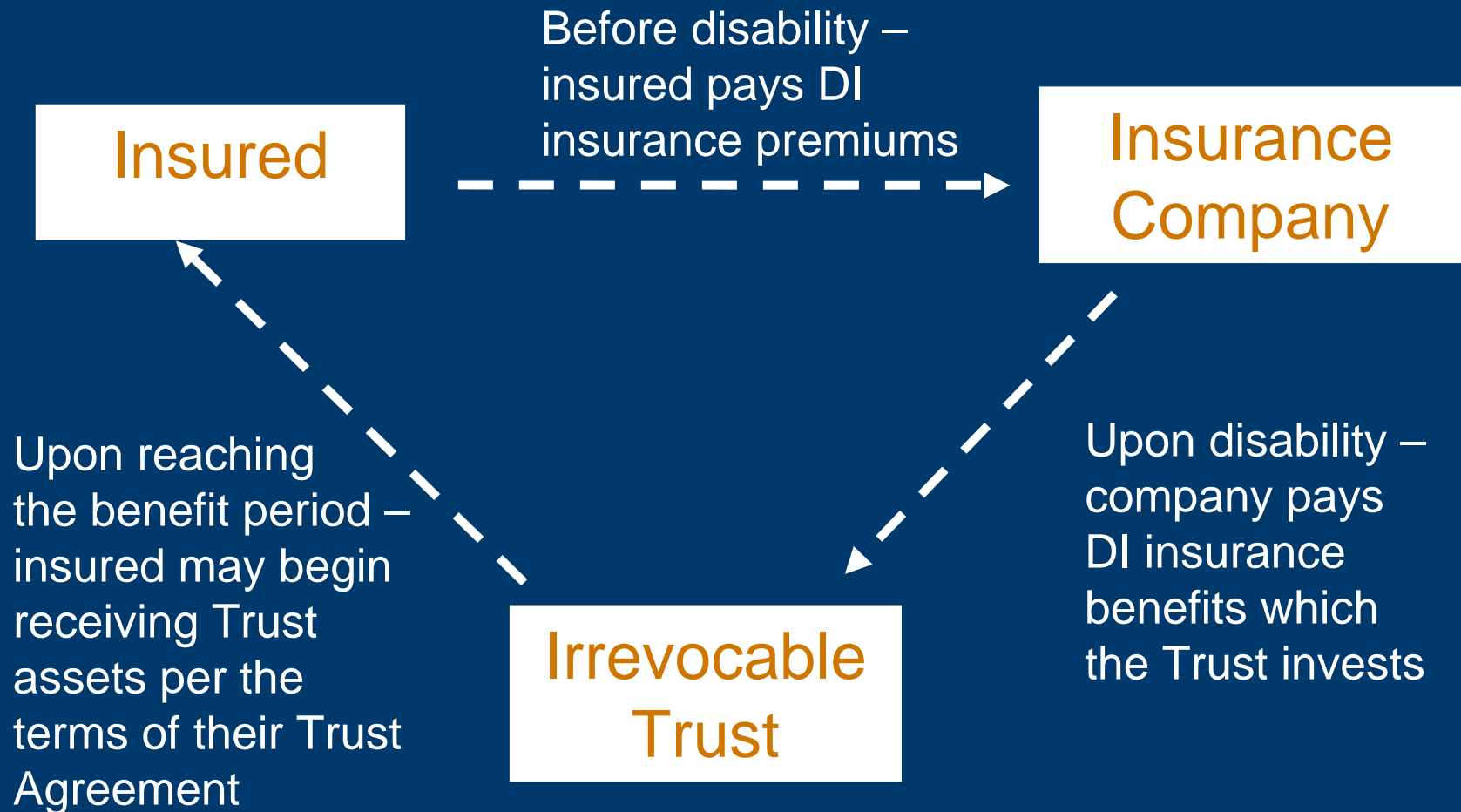
Protect retirement savings  
with a **disability income**  
**insurance** policy

# How Does It Work?

A policy to protect your client's retirement savings should provide upon disability:

- Pay a monthly benefit
- Benefits should be paid in addition to any existing DI coverage
- Portable

# How does it work?



# How Much Coverage?

- Available coverage can be calculated a couple ways.
  - Percentage of income
  - One-to-One
- Make sure coverage keeps pace with IRS limits

# Typical Policy Features

- Total Disability Only
- Longer Benefit Periods & Elimination Periods
- Limited Riders
- Benefit Amount

# Typical Underwriting Guidelines

- Medical
- Financial
- Special Programs

# Some Tax Questions

1. Are the claim benefit payments made to the Trust taxable?
2. What happens to earnings (interest, dividends and capital gains) generated by the Trust?
3. Would the balance of money in the trust be included in my client's estate at the termination of the trust (end of the benefit period or at the time of death)?

# Questions to start your client thinking about retirement protection

- Have you thought about the places you'll travel, the hobbies you'll take up and how you'll spend your time once you retire?
- Does your plan allow for contributions if you are not working?
- If your employer matches contributions will those also end?

# What Does This Mean to You?

An opportunity to visit with clients about this possible gap in their disability insurance.

- *Most of your clients are unaware of this problem*
- *Few producers are aware of this gap in their client's coverage.*

Please contact your local Plus Group office for more information. Go to [www.plusgroupus.com](http://www.plusgroupus.com) and click on the agency locator map to find an office near you or call 800/831-1018.

# Thank You!

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