

LIFE FOUNDATION-SPONSORED STUDY SHOWS AMERICANS' REAL RISK OF DISABILITY



According to a new study, Americans are slightly less likely to suffer a long-term disability than they were in the 1970s and 1980s, yet those who become disabled will likely stay disabled for a longer period of time. This is one of the main findings from a study released in May 2007 by the Life and Health Insurance Foundation for Education (LIFE) entitled, "The Real Risk of Disability in

the United States." The research, conducted by the global consulting firm Milliman Inc., was designed to provide insights into disability risks based on gender, age, occupation and disability type.

Times Change

To portray an accurate picture of the risks associated with long-term disabilities in the U.S., the researchers studied information gathered by the Individual Disability Experience Committee of the Society of Actuaries, which analyzed individual disability income policies during the 1990s. This data was compared to the 1985 Commissioner's Individual Disability A table, which was based on data from the 1970s and early 1980s.

The LIFE study found that the probability of a white-collar worker between the ages of 35 and 65 becoming disabled for 90 days or longer is 27% for men and 31% for women. This compares to 29% for men and 34% for women in the 1970s and 1980s. While the potential for becoming disabled has decreased slightly, the duration of disabilities has increased significantly.

The Specifics

The researchers analyzed data for the top 10 diagnosis groupings: Cardiovascular, musculoskeletal, cancer, mental, back, alcohol/drugs, nervous, other injury, and AIDS. What they discovered is that the breakdown of the conditions causing claims was not only age, but also gender specific. For men between 30-39 years old, musculoskeletal conditions are most prominent. Among women ages 30-39, disabilities due to complications of pregnancy are the most significant claim type. When men reach ages 40-49, cardiovascular problems become the predominant cause of disability claims, while women in this age group suffered primarily from cancer. Between the

HSAs OFFER HEALTH INSURANCE FOR PEOPLE WHO FEEL THEY DON'T NEED IT

Health insurance premiums are expensive; and without a chronic medical condition that requires frequent doctor visits, or regular medication, you may feel that your premiums are being wasted. Still, you know it's important to have Health insurance in the event you are involved in an accident or become ill unexpectedly.



What Are My Options?

If you are experiencing this dilemma, your solution may be to open a Health Savings Account (HSA). These interest-bearing tax-free accounts can be opened by anyone who purchases a qualifying high-deductible insurance policy with an annual individual deductible of at least \$1,100. Such high-deductible policies cost significantly less than traditional health insurance.

Premium savings can be contributed to an HSA to help cover the health plan's deductible, as well as any other eligible medical expenses (e.g. dental and vision expenses) that may not be covered by the plan.

Other Incentives?

Contributions to the HSA are tax deductible and withdrawals are tax-free provided the money is used for IRS approved medical expenses.

The list of approved expenses is quite broad. Money from your HSA can be used to cover your insurance deductible and co-insurance, as well as out-of-pocket medical expenses, such as doctor visits, vision and dental care, and even long-term care insurance premiums. Even over-the-counter medications are considered an approved expense.

For 2007, you may contribute a maximum of \$2,850 (\$5,650 if covering your family) to your HSA. That money is available whenever you need to cover expenses your insurance doesn't pay. While the money remains in your account, it accrues interest that grows without taxation.

Complete Control?

ages of 50-59, the majority of disability claims filed for both men and women were for cardiovascular conditions. However, women in this age group continued to show a significant number of claims arising from cancer.

Another interesting fact to emerge from the study was that women face an overall greater risk of disability than men across all age groups. Except for AIDS claims in all age groups and cardiovascular claims from 50-59, female incidences for each of the diagnosis groupings were significantly greater than male incidences.

Consider Coverage

The researchers noted that with most workers not financially prepared to pay for a long-term disability out-of-pocket, they need to realize how common disabilities are and plan accordingly by purchasing individual disability insurance if they lack sufficient coverage through their employer.

There is no limit on the amount of unused money in the HSA that can be carried over from year to year, and an HSA is yours to keep when you change jobs. However, if your new job doesn't offer a qualifying high deductible insurance policy, you will not be able to make additional contributions to your HSA. But, you can continue to use the money that's already in your account. That money is yours to keep regardless of your insurance coverage.

A Convincing Conclusion

In fact, money accumulated in an HSA that is not used for medical care can be withdrawn for other uses after the account holder turns 65 without penalty. Ordinary income taxes would be owed on nonqualified distributions. If the account holder withdraws funds for other purposes before 65, a 10% penalty and ordinary income taxes would apply.

EMPTY NESTERS SHOULDN'T SAY GOOD BYE TO THEIR LIFE INSURANCE

The kids are all grown, and finally it's just the two of you. Your life is changing, and you are making decisions about what pieces of your former lifestyle should remain the same and what should be altered. There are some items you will decide to let go, but make sure your existing Life insurance coverage isn't one of them.

Why do you need insurance at this time in your life you ask?
Here are 10 reasons:

1. To accomplish financial goals - If your children are financially dependent on you because they are still in college, Life insurance can help fund their education even if you aren't around. Keep in mind that Social Security benefit payments for a surviving spouse and children cease when students finish high school.
2. To care for dependents - Life insurance will continue to provide for your parents and disabled adult children if you die before they do.
3. To buffer you from the Social Security "blackout period" - Social Security pays no benefits from the time the youngest child leaves high school until the surviving spouse applies for retirement benefits. This period is called the "blackout period," and it can cause extreme financial hardship to the surviving spouse if there is no income stream. Life insurance provides much needed income.
4. To supplement reduced Social Security survivor's benefits - If a spouse begins receiving Social Security survivor benefits earlier than the full-benefit age, their monthly benefit will be permanently reduced. In addition, because their spouse died early, salary increases that might have increased Social Security benefits were not applied to their record. A Life insurance policy can help make up for these losses.
5. To supplement lost retirement savings - If a spouse died before retirement, they didn't earn salary increases that might have increased employer pension benefits and/or IRA contributions. A Life insurance policy can help make up for these losses too.
6. To meet commitments that were made at a time when there were two incomes - Financial commitments like mortgages or loans are based on the combined income of a two-paycheck couple. If each spouse has Life insurance the survivor can continue to meet those commitments.
7. To pay for unexpected expenses - Funeral and burial costs, final medical expenses, estate administration and estate taxes aren't always anticipated. Life insurance prepares you for these costs no matter when they happen.
8. To create a financial emergency fund - If a family doesn't have an emergency fund equivalent to at least six months of income, they could be extremely vulnerable if one of the wage earners dies. This lack of funds could also impact the family's ability to obtain credit. Life insurance can be the family's emergency fund.
9. To supplement lost income if a spouse dies after beginning Social Security benefits - Each spouse receives a check for his or her Social Security retirement benefits. The earner with the larger pre-retirement income gets a benefit based on that income. The spouse with the smaller or no pre-retirement income gets a benefit based on their own earnings, or half of their spouse's Social Security benefit, whichever is greater. When one spouse dies, the larger retirement benefit continues, but the smaller one stops. Life insurance can make up for this income loss.
10. To provide for charitable causes - If you want to ensure your favorite charities get money after your death, you can designate some or all of your Life insurance benefits to this purpose.



