

PLANNING FOR THE UNEXPECTED

DISABILITY PLANNING

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Families may face significant changes when the household's primary wage earner is sick or injured and unable to work. There are bills to pay and other financial obligations to meet. Without the income they rely on, how can the family make ends meet?

CASE STUDY

Bob and Frank are independent contractors who work in the same industry. They are both 40 years old and make \$200,000 per year. Bob is healthy and can't imagine a situation where he would not be working, so planning for disability is not a priority. Frank, concerned about his ability to earn an income if he is unable to work for an extended period of time, decides to purchase a disability income policy.



BOB
AGE 40
ANNUAL INCOME = \$200,000
DI Premium amount = \$0 (no coverage)
Monthly benefit = \$0

FRANK
AGE 40 NT 5A
ANNUAL INCOME = \$200,000
DI Premium amount = \$3,016.44/yr. or \$260/mo.
Monthly benefit (after 90-day WP) = \$9,150

At age 55, Frank is diagnosed with an illness that keeps him from working for 4 years during his treatment and recovery. Fortunately for Frank, his DI protection provided \$411,750 in tax-free benefits (45 months of benefits after the 90-day waiting period).

Example based on using a MassMutual Radius Choice policy, male, issue age 40, non-nicotine. Occ Class 5A, \$9150 monthly benefit to age 65, after a 90-day waiting period, and an Extended Partial Disability Benefits Rider and Benefit Increase Rider.

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