

Disability Income Insurance

If you're like most people, protecting your assets is an important part of your financial strategy — that's why you own car insurance, homeowner's insurance, and life insurance. But what about your ability to earn an income?

Chances are, you rely on your income to support your current standard of living. If you were to become disabled, however, how would you pay your mortgage, auto loan, and other monthly bills? What about retirement savings and your children's education fund? Do you know how much money you would receive monthly and from where? Without disability income (DI) insurance, a disability could potentially mean financial disaster for you and your family.

If you think about it, your most valuable asset is your ability to earn an income.

WHAT ARE THE ODDS?

We want to believe we're invincible — that a disability won't happen to us — but the facts state otherwise. Individuals between ages 27 and 50 have at least a one in three chance of becoming disabled for three months or more sometime before retirement!¹

Heart disease and back problems are the two most common causes of disability. Consider the likelihood that you'll have a long-term disability that lasts three months or longer before age 65.

Age	Probability	Age	Probability
25	44%	45	36%
30	42%	50	33%
35	41%	55	27%
40	39%		

(Source: 1985 Commissioner Disability Table)



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WHERE WILL THE MONEY COME FROM?

■ **Employer-Sponsored Group Disability Plans** — Many employers offer short-term protection to their employees; unfortunately, people wrongly assume they are protected in the event of a disabling injury or illness.

Most employer-sponsored group long-term disability plans cover only 60 to 70 percent of your annual salary, and don't consider bonuses or commissions when determining your monthly benefit. For example, your \$50,000 annual salary could be reduced to \$1,800 per month after tax (assuming a 28 percent tax basis), making it difficult to maintain your current lifestyle.

■ **Social Security** — Almost 60 percent of all disability claims are denied. In 1998, the maximum payment for an eligible 30-year-old earning \$68,400 or more was only \$1,568 a month.

■ **Savings** — Even by saving five percent of your income yearly, a six-month disability could wipe out ten years of savings.

¹ 1985 Commissioner Disability Table A

DI INSURANCE — IMPORTANT TO YOUR FINANCIAL SECURITY

Disability income insurance will not only replace lost earnings, but some policies may also provide a source for retirement and education savings. With access to a wide range of nonproprietary disability insurance policies, your RBC Wealth Management® Financial Advisor can help you determine the most appropriate policy and coverage you would need to pay bills and expenses if you were unable to work.

Disability Income Insurance, continued

WHAT TO LOOK FOR IN A DISABILITY POLICY

When considering a disability income insurance policy, carefully review the policy's definition of disability provision as it relates to your occupation. Make sure the plan you choose will pay in the event you cannot perform the main duties of your own occupation, versus one that will pay if you cannot do any occupation based on your education.

- Total disability means you are completely unable to perform your occupation or one appropriate for your education and experience.
- Partial or Residual Disability means your ability to perform your job is impaired.
- Non-cancelable coverage means the company cannot terminate coverage or increase your rates as long as you pay your premiums on time.
- Guaranteed Renewable coverage means the company cannot drop you from coverage as long as you pay your premium, but can increase those premiums.

OTHER DISABILITY DEFINITIONS

- *Benefit Period* — How long you will receive benefits from your policy. The most common benefit period is to age 65.
- *Elimination/Waiting Period* — How long you have to wait before receiving benefits. The longer the waiting period, the less expensive the policy premium. The most common elimination period is 90 days.
- *Waiver of Premium* — With most policies, you won't have to pay premiums after being disabled for 90 days.

MAKE DISABILITY INCOME INSURANCE A PART OF YOUR FINANCIAL STRATEGY

As you and your Financial Advisor work together to assemble a sound investment and financial strategy, disability insurance should be part of your discussions. The first step is to understand what disability income coverage you currently have and what you need.

No one plans on a disability — consider a DI policy while you are insurable and have an income to protect. Talk to your RBC Wealth Management Financial Advisor for more information on how to get started today.

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