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## **Preparing for Disability**

**A Disability Income Review for the Consideration of**

**VALUED CLIENT**



**Presented by:**

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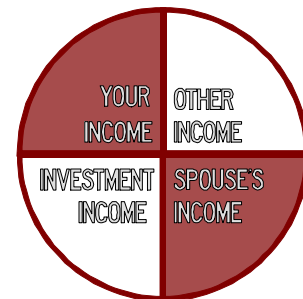
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**Your earning power -- your ability to earn an income -- is your most valuable asset.**



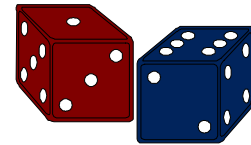
Few people realize that a 30-year-old couple will earn more than two million dollars by age 65 if their total family income averages \$60,000 for their entire careers, without any raises.

### How Much Will You Earn in a Lifetime?

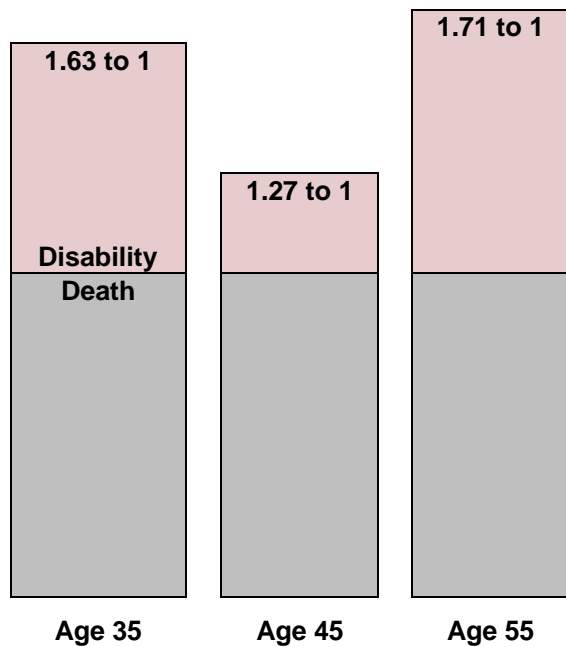
Years to Age 65	Your Future Earning Power If Your Family Income Averages:			
	\$50,000	\$75,000	\$100,000	\$150,000
40	\$2,000,000	\$3,000,000	\$4,000,000	\$6,000,000
35	1,750,000	2,625,000	3,500,000	5,250,000
30	1,500,000	2,250,000	3,000,000	4,500,000
25	1,250,000	1,875,000	2,500,000	3,750,000
20	1,000,000	1,500,000	2,000,000	3,000,000
15	750,000	1,125,000	1,500,000	2,250,000
10	500,000	750,000	1,000,000	1,500,000
5	250,000	375,000	500,000	750,000

**If you are sick or hurt and unable to work, how will you replace your earning power?**

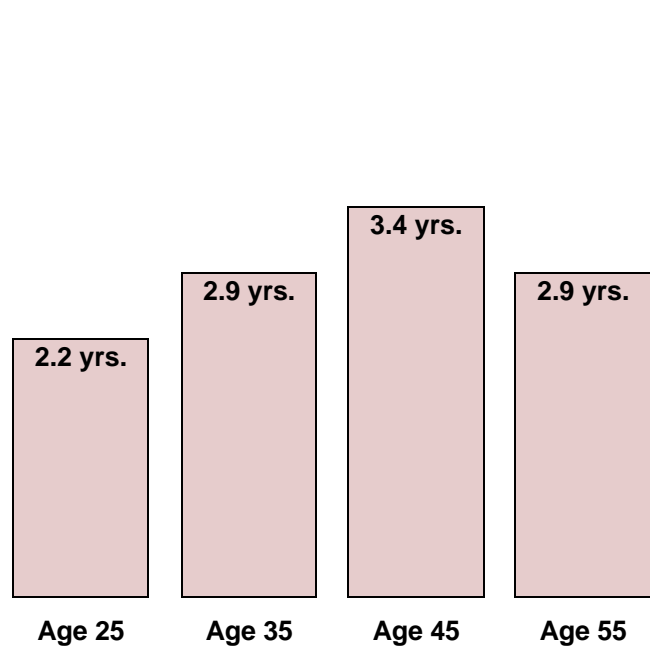
## Is This a Gamble You Want to Take?



**Risk of Disability for 3 Months or Longer versus Risk of Death**



**Average Duration of a Disability Lasting Over 3 Months Prior to Age 65**



Source: 1986 Commissioners Disability Table

**In fact, disability is 16 times more likely than death to cause foreclosure!**

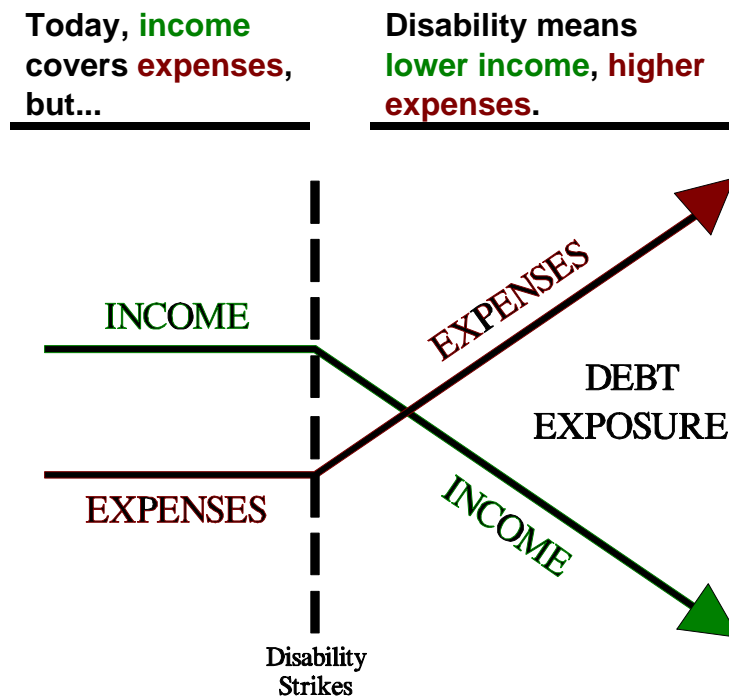
**Cause of Foreclosure**

	FHA	VA	Conventional	Average
Death	4%	3%	2%	3%
Disability	48%	49%	46%	48%

Source: Savings and Loan League

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## What Can Happen If Disability Strikes?



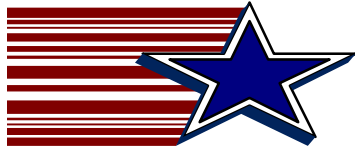
**How will you meet the expenses of a disability,  
just at the time your earning power ceases?**



## What Sources of Funds May Be Available to Replace Your Earning Power During a Disability?

Source	Evaluation
<b>Savings</b>	If you save 10% of your income each year, it will take 10 years to set aside just one year's income
<b>Borrow</b>	What creditor is going to lend money to a disabled income earner?
<b>Liquidate Assets</b>	Assuming a market exists, a forced liquidation of assets can reduce their value. A single disability could consume the assets you've worked a lifetime to accumulate.
<b>Spouse's Earnings</b>	Your lifestyle may already be built upon a dual income. If, however, your spouse is not currently an income earner, is it realistic to assume that he or she could replace your earning power?
<b>Social Security Benefits</b>	It can be difficult to qualify for Social Security disability benefits. In fact, in 2001 only 46.1% of Social Security disability claims were approved (Source: Social Security Bulletin, Annual Statistical Supplement, 2002). Assuming, however, that you do qualify, Social Security benefits do not begin until the sixth full month of disability and are generally not adequate to replace your earning power.

**There is only one logical solution...**



## **A Disability Income Solution**

**An adequate amount of personally-owned disability income insurance, coordinated with other sources of income, can guarantee a source of income in the event of serious illness or injury.**

**Personally-owned disability income insurance benefits can be used to:**

- ⇒ preserve your independence.**
- ⇒ maintain your lifestyle.**
- ⇒ give you time to recover and, if necessary, retrain.**
- ⇒ protect your assets from liquidation.**
- ⇒ maintain your personal savings for other uses.**

**Finally, since the premiums paid for personally-owned disability income insurance are not tax deductible, the benefits are not considered as income and are received 100% free of income tax.**



## **Disability Income Action Checklist:**

### **The Analysis...**

**Estimate the income you will need in the event of disability.**

**Estimate the disability income that will be available to you, including:**

- **Employer-Provided Short and Long-Term Disability Benefits**
- **Social Security** (submit Form SSA-7004 to the Social Security Administration in order to receive an “Earnings and Benefit Statement”)
- **Other Government-Provided Disability Benefits**
- **Other Sources of Income** (e.g., CDs, savings accounts, mutual funds)

**Determine the additional monthly income required to achieve your disability income objective.**

### **The Disability Income Insurance Solution...**

**Select type of policy and amount of personally-owned disability income insurance.**

**Evaluate and select appropriate optional benefits.**

**Establish insurability.**

**Arrange for payment of premiums.**

### **You Can Manage Your Finances...**

***It's by managing your finances that you write the story of your life.  
You are both the author and the story's principal character.  
Resolve to perform what you ought.***

**- Benjamin Franklin**