

# Your MONTHLY MONEY

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## Disability Insurance Awareness Month: Is Your Income Actually Protected?

May is Disability Insurance Awareness Month. It's a good time to review your coverage, fill the gaps, and make sure a medical emergency doesn't become a financial one.

One in four working-age adults will become disabled before they retire.

That's not an opinion — it's a statistic from the Social Security Administration that's frequently cited. Yet only 43% of Americans have a disability insurance policy. The nonprofit organization Life Happens has used May to raise awareness about disability insurance for nearly two decades.

"What would happen if suddenly, due to an illness or injury, you were unable to work?" the Life Happens website asks. "The ability to earn a living is far and away most people's largest 'asset.'"

There are steps you can take now to make sure a medical emergency doesn't also become a financial one.

### Understand what protection you already have at work

Before looking for additional coverage, start with your employee benefits. Many employers offer short-term or long-term disability insurance, but the details matter more than the label.

Review how much of your income is actually replaced. Most group plans cover between 50% and 60% of your base salary, which may not be enough to cover your full monthly obligations. Understand how long benefits last.

Short-term policies typically cover three to six months, while long-term policies can extend until retirement age depending on the plan.

Pay attention to the elimination period as well. That's the waiting period before benefits begin, which commonly runs 30 to 90 days and can leave a real gap between your last paycheck and your first benefit check. Know exactly what you have before assuming you're covered.

### Plan for gaps so a missed paycheck doesn't become a crisis

Even with coverage, most people face a gap at some point. That's where financial strain tends to show up first.

Start by identifying your essential monthly expenses: housing, utilities, food, insurance, and transportation. These are the costs that don't pause if your income does. Then ask yourself how long your savings would actually cover them. Most people find the answer is a few weeks or months, which is a shorter runway than it sounds.

An emergency fund is the most direct fix. Financial experts commonly recommend saving three to six months of essential expenses. Even if you're not there yet, any cushion buys you time while you wait for benefits to kick in and reduces the likelihood of turning to credit cards or loans during an already difficult period.

## **Consider whether additional coverage makes sense**

If your employer coverage is limited, individual disability insurance may be worth looking into. Policies vary widely in what's covered, how benefits are calculated, and how long they last. Some are designed to supplement employer coverage and fill specific gaps. Others provide more comprehensive standalone protection for people who are self-employed or whose employer doesn't offer coverage at all.

When comparing policies, pay attention to the definition of disability. Some plans only pay out if you can't work in any occupation, while others cover you if you're unable to perform your specific job.

The decision usually comes down to your monthly obligations, whether you have dependents, and how much savings you have to absorb a disruption. If a gap in your coverage would create an immediate financial problem, that's worth addressing now rather than later.

## **What to do if your income stops unexpectedly**

Even with a plan in place, a sudden loss of income is disorienting. Knowing your next steps in advance makes a real difference.

File for any benefits you're entitled to as quickly as possible. That includes employer disability coverage, short-term state benefits if your state offers them, or Social Security Disability Insurance if the situation is long-term. Delays in filing mean delays in payment, and the process can take longer than most people expect.

Contact lenders and service providers early. Many have hardship programs that aren't advertised. A phone call before you miss a payment gives you more options than one after. Utilities, mortgage servicers, and auto lenders are often willing to work with you if you're proactive about the conversation.

Lean on your emergency fund for true essentials only. The goal is to extend your runway until income resumes, not to maintain your normal spending pattern until the money runs out.