



Short-term disability insurance is key to financial protection

The recent economic downturn may be close to over, but the lessons learned will likely remain in the minds of employees for years. Perhaps most poignant is a greater appreciation for a steady paycheck and the importance of protecting that income. As employees strive to safeguard their finances, one area that garners little attention but represents an area of insufficient protection for many employees is disability insurance. In fact, 1 in 4 of today's 20-year-olds will become disabled before reaching age 67.¹



Despite the apparent risk, most Americans underestimate their personal susceptibility to experiencing a disability and overestimate the resources available to them in such a predicament. Especially considering that 65 percent of working Americans say they would only be able to pay bills for less than a year if their income stopped,² there is a growing need for voluntary disability insurance.

Not only do employees benefit from having these policies, but businesses do as well. Employers who offer voluntary disability insurance notice declines in their worker compensation claims; specifically:³

- » Small employers report a 43 percent decline overall
- » Medium employers report a 33 percent decline overall
- » Large employers report a 47 percent decline overall

What does short-term disability insurance cover?

In the event of a physician-documented disability, a voluntary short-term disability insurance policy pays benefits (i.e. a monthly amount that is a percentage of your gross income) for a set period of time while the policyholder is disabled. Depending on an individual's situation and short-term disability coverage applied for, some policies pay benefits up to 24 months for a disability.

If disabled, employees may not only lose the ability to earn a living, but may also lose savings, retirement funds or even their home. The financial obligations can be overwhelming. Disability insurance plays an integral and important role in financial planning and safeguarding financial futures. It can ensure your employees still have a source of income and can help take care of bills while they're focused on getting better.

Who needs short-term disability insurance?

Any working adult who is not currently covered by private or voluntary short-term disability insurance is a candidate for applying for such coverage. In fact, about 100 million employees are without private disability income insurance.⁴

The need for disability insurance protection is crucial, particularly for primary wage-earners. Disabling injuries or illnesses can lead to significant medical bills, changes to the family's home or transportation, and more. Therefore, anyone who works — regardless of whether they are single, married, with children or without — needs to consider voluntary disability coverage.

Although many employees assume that they have coverage through their employer, a growing number of companies are cutting back on the amount of disability coverage they offer. A decade ago, it was commonplace for a company-paid disability policy to pay an employee 70 percent of income if disabled, but those rates have diminished alongside the economy and employees today often receive less than 40 percent. Furthermore, most people assume they will receive benefits from Social Security or workers' compensation. However, that is most often not the case. In fact, 65 percent of initial Social Security Disability Insurance (SSDI) claim applications were denied in 2009. Also, the average monthly benefit paid by SSDI in June of 2010 was \$1,065 a month. More than half (52 percent) received less than \$1,000 per month.⁵ As for depending on workers' compensation to cover a disabling injury or illness, consider that 90 percent of disabling accident and illnesses are not work related, meaning workers' compensation doesn't cover them.⁶

The bottom line is that weathering an economic depression has opened eyes to the value of disability insurance. Americans are recognizing the financial vulnerability that comes from being under protected and underinsured. Neglecting to secure disability insurance is a prime example of how saving a few dollars in the short term can cost thousands in the long run.

To learn more about how voluntary short-term disability policies can benefit you or your employees, visit aflac.com/stdplan

Sources

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² CDA Council For Disability Awareness, "CDA 2010 Consumer Disability Awareness Survey," http://www.disabilitycanhappen.org/research/consumer/page_6.asp, accessed on February 08, 2013.

³ Critical Care and Recovery Quantitative Study LRW and Aflac, December 2013.

⁴ Social Security Administration, Fact Sheet March 18, 2011.

⁵ The Official Website of the U.S. Social Security Administration, Disabled worker average benefits table, <http://www.ssa.gov/OACT/STATS/dib-g3.html>, accessed on February 08, 2013.

⁶ CDA Council For Disability Awareness, "The 2011 Council for Disability Awareness Long-Term Disability Claims Review," http://www.disabilitycanhappen.org/research/CDA_LTD_Claims_Survey_2011.asp, accessed on February 08, 2013.

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