

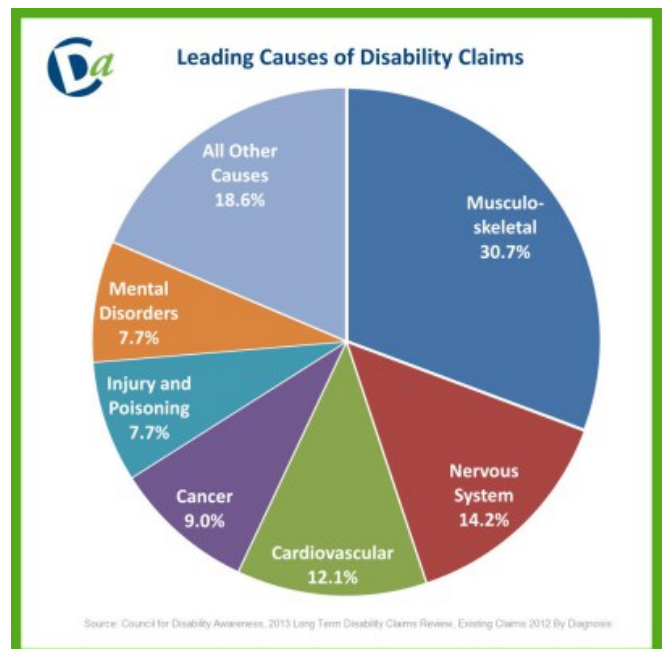
## Step One >> Be Informed!

This section will go over some essential statistics and key terms to help you better understand the basic premise for disability planning and the importance of income protection.



Most disabilities intrude silently and can last for several months or years. The chances of enduring a permanent or temporary disability before retirement age are much greater than the chances of dying, much greater than the chances of your house burning down, and much greater than the chances of totaling your car. Meanwhile, your health and ability to earn an income are your greatest assets. Auto and homeowners insurance may be mandatory if you have a car and a house, but consider protecting your greatest asset—your income.

It is nearly impossible to predict what type of affliction may be coming. Many people assume that accidents are the most likely source of disability. While it is true that accidents are a very common cause of disability claims, there are many more silent illnesses that can wreak havoc on your day-to-day lifestyle, ultimately affecting your ability to continue working. Musculoskeletal conditions account for nearly *one-third* of all claims in America, followed by mental and nervous disorders.



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**No time to waste.**



Approximately every **7** seconds, a working-age American suffers a disabling injury or illness that will last for at least one month.<sup>1</sup>

Only one in three has private income protection – do **YOU**?

**Da** COUNCIL FOR DISABILITY AWARENESS

America's Disability Counters, DisabilityCounters.org

**Every 7 seconds.** The rate at which disabilities occur is astounding. Not all disabilities can be prevented, but many people have taken the proper steps to ensure that their families will be financially protected. However, two-thirds of Americans do not have any private resources to keep their income flowing in the event of a disability. Individual disability income is just one way to make sure you are prepared in a serious time of need.

**There is a shortage.** Your savings account is the most logical place to look for money when enduring a disability. However, there may be several problems with this plan. First, most people do not have enough cash to keep them afloat through a long-term disability. More than half of employees could not pay their bills for more than a year without an income. Secondly, those who *can* use their savings will lose out on years of compounding investment interest—money that was earmarked for retirement.

**A savings shortage.**

More than half of employees could not pay their bills for more than a year without an income.<sup>1</sup>



How long could **YOU** survive?

**Da** COUNCIL FOR DISABILITY AWARENESS

1CDIA 2010 Consumer Disability Awareness Study, p. 10.

## Step One >> **Be Informed!**

This section will go over the essential key terms to help you better understand the important features commonly found in DI policies.

### **ALWAYS CONSULT THE ACTUAL POLICY FOR SPECIFIC DEFINITIONS AND DETAILS.**

**automatic increase** – an annual increase to the insured’s monthly benefit maximum, usually based on a guaranteed fixed percentage.

**catastrophic benefit** – an additional benefit that may be granted to help cover the cost of long-term services and supports if the insured loses the ability to perform two or more Activities of Daily Living or is suffering a severe cognitive impairment.

**cost of living adjustment** – an automatic increase usually tied to the Consumer Price Index – Urban that increases the designated monthly benefit amount each year after becoming eligible for disability benefits.

**disability insurance** – a policy that is sold and supplied by an insurance company, specifically designed to pay a benefit to the policyholder upon the event of an eligible illness or injury.

**future increase option** – this rider or feature enables the policyholder to increase benefits at a later date without any medical underwriting, though financial underwriting must warrant any applied increases.

**guaranteed renewable** – ensures that the policy will continue, or renew, each year you pay premiums; guarantees that only the policyowner can cancel coverage.

**income replacement %** – this is the percentage of income that is substituted by disability income in the event of an injury or illness, usually computed before income taxes apply.

**monthly benefit** – income paid to you after meeting the required definition of Total or Partial Disability according to the terms of the policy.

**noncancelable** – a level premium guarantee, or rate guarantee, usually for the life of the policy and typically included in the base policy but may be a rider for additional premium.

**occupation class** – the categorical level of risk for a general grouping of occupations as determined by actuarial data and experience; may affect the price of the premium.

**partial disability** – benefits may be payable if not eligible for “total disability” benefits per the terms of your policy, typically requiring a loss of income of 20% or more.

**total disability** – the core of any disability insurance policy; dictates the terms of the insured’s eligibility triggers that are required to receive the total maximum monthly benefit; there are many variations.

**waiting period** – the “elimination period” or “deductible period” that applies immediately following a disability but before benefits are paid.

## Disability Insurance and Federal Taxes

### Disability Income

| Organization Form          | Coverage For | Premium Paid By               | Owner/ Beneficiary | Premium   | Tax Treatment | Benefits                                     |
|----------------------------|--------------|-------------------------------|--------------------|---|---------------|--|
| <b>Individual</b>          | Individual   | Individual                    | Individual         | Not Deductible (IRC Sec. 213) and (IRC Sec. 262)  |               | Tax Free (IRC Sec. 213) and (IRC Sec. 262)   |
| <b>Sole Proprietorship</b> | Sole Prop.   | Sole Prop.                    | Sole Prop.         | Not Deductible Business Expense (IRC Sec. 213) and (IRC Sec. 262)                                 |               | Tax Free (IRC Sec. 104(a)(3))                |
|                            | Employee     | Employer                      | Employee           | Deductible Business Expense Not Taxable Income to Employee (IRC Sec. 162) and (IRC Sec. 106)      |               | Benefits Reported as Income                  |
|                            | Employee     | Employer                      | Employer           | Not Deductible Business Expense (IRC Sec. 265)  |               | Tax Free to Sole Proprietor                  |
| <b>Partnership</b>         | Partner      | Partnership                   | Partner            | Not Deductible Business Expense (IRC Sec. 262) and (IRC Sec. 162)                                 |               | Tax Free (IRC Sec. (a)(3))                   |
|                            | Employee     | Employer                      | Employee           | Deductible Business Expense Not Taxable Income to Employee (IRC Sec. 162) and (IRC Sec.106)       |               | Benefits Reported as Income (IRC Sec. 105)   |
|                            | Employee     | Employer                      | Partnership        | Not Deductible Business Expense (IRC Sec. 265)  |               | Tax Free to Partnership (IRC Sec. 104(a)(3)) |
| <b>Corporation</b>         | Employee     | Corporation                   | Employee           | Deductible Business Expense Not Taxable Income to Employee (IRC Sec. 162) and (IRC Sec. 106)      |               | Reported as Income (IRC Sec. 105)            |
|                            | Employee     | Corporation                   | Corporation        | Not Deductible Business Expense (IRC Sec. 265)  |               | Tax Free to Corporation (IRC Sec. 104(a)(3)) |
|                            | Employee     | Employee, via Executive Bonus | Employee           | Executive Bonus is Tax Deductible to the Business & Reported as Income to Employee (IRC Sec. 162) |               | Tax Free (IRC Sec. 104(a)(3))                |

### Business Overhead Expense

| Organization Form                     | Coverage For | Premium Paid By             | Owner/ Beneficiary          | Premium   | Tax Treatment | Benefits   |
|---------------------------------------|--------------|-----------------------------|-----------------------------|---|---------------|--|
| <b>All Forms of Eligible Business</b> | n/a          | Sole Proprietor or Business | Sole Proprietor or Business | Tax Deductible (Rev. Rule 55-264, 1955-1 CB 11) |               | Reportable as income. However, overhead expenses that are deductible as ordinary business expenses will, to the extent deductible, offset the reportable benefits. |

### Disability Buy-Out


| Organization Form                   | Coverage For | Premium Paid By | Owner/ Beneficiary | Premium   | Tax Treatment | Benefits                      |
|-------------------------------------|--------------|-----------------|--------------------|---|---------------|-------------------------------|
| <b>Sole Proprietorship</b>          | Sole Prop.   | Sole Prop.      | Sole Prop.         | Non Deductible (IRC Sec. 213)   |               | Tax Free (IRC Sec. 104(a)(3)) |
| <b>Partnership Entity Buy-Out</b>   | Partnership  | Partnership     | Partnership        | Non Deductible (IRC Sec. 265)   |               | Tax Free (IRC Sec. 104(a)(3)) |
| <b>Partnership Cross-Purchase</b>   | Partner      | Partner         | Partner            | Non Deductible (IRC Sec. 213)   |               | Tax Free (IRC Sec. 104(a)(3)) |
| <b>Corporation Stock Redemption</b> | Corporation  | Corporation     | Corporation        | Non Deductible (IRC Sec. 213) Not Taxable to Shareholder Rev. Ruling 59-184, 1951-1 cb 65 |               | Tax Free (IRC Sec. 104(a)(3)) |
| <b>Corporation Cross-Purchase</b>   | Stockholder  | Stockholder     | Stockholder        | Non Deductible (IRC Sec. 213)   |               | Tax Free (IRC Sec. 104(a)(3)) |

# PROTECTING YOUR INCOME

When it comes to becoming too sick or hurt to work, many people think, "It won't happen to me." But, are you willing to risk your dreams by betting the odds?

**See why you need to protect your income today...**

## DO I NEED INCOME PROTECTION?

  
**1 IN 4** OF TODAY'S 20-YEAR-OLDS WILL BECOME DISABLED BEFORE THEY RETIRE.<sup>1</sup>

THE AVERAGE LONG-TERM DISABILITY ABSENCE LASTS OVER **TWO AND A HALF YEARS.**<sup>2</sup>



Calculate *your* chances of a disability at [www.whatsmypdq.org](http://www.whatsmypdq.org)

## HOW MUCH IS AT STAKE?

 A 30-YEAR-OLD EARNING \$50,000 A YEAR COULD EARN MORE THAN **\$4.5 MILLION BY THE AGE OF 65.**



**1 IN 2**

Americans would be in financial trouble in less than a month if they became too sick or hurt to work.<sup>3</sup>

YOUR INCOME PAYS FOR THE BIG THINGS:



HOME



CAR



RETIREMENT SAVINGS

YOUR INCOME PAYS FOR THE LITTLE THINGS:



GYM MEMBERSHIP



SMARTPHONE SERVICE



CHILDREN'S DANCE LESSONS

**BUT IF YOU BECOME TOO SICK OR HURT, YOU COULD LOSE THEM ALL.**



Calculate *your* lifetime earnings potential at [www.whatsmyeiq.org](http://www.whatsmyeiq.org)

## AM I PROTECTING WHAT'S MOST IMPORTANT?

People protect their homes, cars, lives and even identities with insurance. But often don't think to protect their incomes.

- |  |  |                                 |
|--|--|---------------------------------|
| <input checked="" type="checkbox"/> Home | <input checked="" type="checkbox"/> Lives    | <input type="checkbox"/> Income |
| <input checked="" type="checkbox"/> Cars | <input checked="" type="checkbox"/> Identity |                                 |

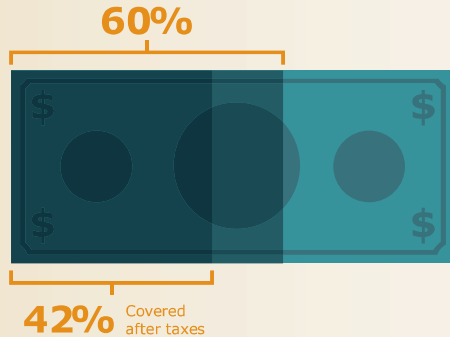
 **240 TIMES** 

PEOPLE ARE 240 TIMES MORE LIKELY TO INCUR A DISABLING INJURY THAN SUFFER A FATAL INJURY.<sup>4</sup>

## AREN'T I ALREADY PROTECTING MY INCOME?

YOU MAY THINK YOU'RE COVERED, BUT THE PROTECTION YOU HAVE LIKELY WON'T BE ENOUGH.

### EMPLOYER OFFERINGS



#### GROUP LONG-TERM DISABILITY COVERAGE:

It's a great start, typically covering **60%** of your gross income. However, the benefits are usually taxable (and capped at a certain amount), which means your take-home pay is further reduced.

### GOVERNMENT LAWS & PROGRAMS

#### WORKERS' COMPENSATION:

Less than **5%** of disabling accidents and illnesses are work related; the other **95%** would not be covered.<sup>5</sup>



#### SOCIAL SECURITY:

Of the **2.8 MILLION** workers who apply for Social Security disability benefits each year, **65%** are denied.<sup>6</sup>



## CAN I AFFORD INCOME PROTECTION?

The premium for individual disability income insurance is typically just **1% - 3%** of what you earn, often less than:



Income protection is for **everyone**. If you're earning an income and can't afford to retire tomorrow, you need disability income insurance. Talk to your local financial professional today.

To watch an animated version of this, go to [www.principal.com/protectincome](http://www.principal.com/protectincome).

#### SOURCES:

1. Social Security Administration, Fact Sheet, Feb. 2013.
2. Gen Re, U.S. Individual DI Risk Management Survey 2011, based on claims closed in 2010.
3. The Life and Health Foundation for Education (LIFE) survey conducted by Kelton, April 2012.
4. National Safety Council®, Injury Facts®, 2012 edition.
5. Council for Disability Awareness, Long-Term Disability Claims Review, 2012.
6. Social Security Administration, Office of Disability and Income Security Programs, 2013.

Disability insurance has limitations and exclusions. For costs and complete details, contact your local Principal Life financial representative.

Principal Life Insurance Company, Des Moines, Iowa 50392-0002, [www.principal.com](http://www.principal.com) | JJ1907POD-02 | 01/2014



WE'LL GIVE YOU AN EDGE®

## DI QUOTE REQUEST FORM

|                                      |  |
|--------------------------------------|--|
| Last Name:                           |  |
| First Name:                          |  |
| DOB:                                 |  |
| Smoker?                              |  |
| Self-Employed? (how long?)           |  |
| Gov't Employee? (Fed/St/Local?)      |  |
| Occupation Title:                    |  |
| Years in occupation                  |  |
| Years with current employer          |  |
| Daily Duties:                        |  |
|                                      |  |
|                                      |  |
|                                      |  |
|                                      |  |
| % of time working at home            |  |
| Foreign Travel (where and how long?) |  |
| Annual Income:                       |  |
| Last Year's Income:                  |  |
| Previous Years' Income:              |  |
| Unearned Income:                     |  |
| Monthly Benefit Desired:             |  |
| Existing DI benefit (Replacing?):    |  |
| State DI?                            |  |
| Benefit Period Desired:              |  |
| Waiting Period Desired:              |  |
| Riders Desired:                      |  |
| Partial Disability?                  |  |
| Rate Guarantee?                      |  |
| Own Occupation?                      |  |
| COLA?                                |  |
| Future Increases?                    |  |
| Multi-life Discount (3+ lives)?      |  |
| Health and additional info:          |  |
|                                      |  |
|                                      |  |
|                                      |  |

# PINNEY

## I N S U R A N C E

*Providing All the Tools for Your Success<sup>sm</sup>*

## Pinney Insurance

Founded in 1972 as a Transamerica branch office and later incorporated as Pinney Insurance Center, Inc., we are headquartered in our own building in Roseville, California. We provide a small local agency feel with the power of a major national firm.



Pinney has expanded into a national distributor with thousands of contracted agents and offices in California, Illinois, Maryland, North Carolina, Oklahoma, Pennsylvania, Texas, Washington, and Mississippi. Pinney represents over 100 life, annuity, disability, and long-term care companies with the intent of providing our clients & partners with the best possible product solutions at the lowest possible costs.

Email [Brokerage Sales Support](#) or contact one of our Brokerage Directors today at 800-823-4852.

### Quick Links

[Pinney Insurance](#)

[DataRaptor](#)

[EZLifeSales](#)

[Case Status](#)

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[Forms](#)

[Contracting](#)

### Most Popular Tools

- **Full-Service Brokerage**  
[www.pinneyinsurance.com](http://www.pinneyinsurance.com)  
Access to carrier forms, quote tools, and 24/7 case status.
- **DataRaptor.com**  
[www.dataraptor.com](http://www.dataraptor.com) - Insurance marketing evolved!  
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[Client Management Preview](#)
- **EZLifeSales.com**  
[www.ezlifesales.com](http://www.ezlifesales.com) - [Learn How it works.](#)  
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I N S U R A N C E

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