

Group Long-Term Disability vs. Individual Disability Insurance (IDI)

Your ability to earn money is your largest asset (which is why you probably carry Life insurance). When you are disabled and cannot work due to an accident or illness, expenses often increase while income is eliminated.

Group Long-Term Disability plans, Social Security and personal savings may help, but these do not save families from financial crisis in the event of disability.

If you think you won't get disabled because you have a safe job in a office, think again. Approximately 90% of disability is caused by illness, not injury. You need quality Disability protection more than any other type of insurance.

All the statistics say the same thing – there's a good chance it could happen to you. One in three working Americans will become disabled for more than 90 days before they retire, the average claim lasts 2½ years, and almost half of those disabilities will last 5 years or longer.

Group LTD is NOT designed to provide adequate coverage for highly compensated white collar professionals. It has to be reduced coverage to stay relatively cheap (free to all employees with no health questions). Your standard of living only protected by supplementing with IDI, which provides top quality coverage and higher monthly benefits as needed. **Group LTD** has major problems:

1. **Inadequate definition of Disability** because after a few years, it pays benefits only if you're unable to work in ANY occupation (McDonald's).
2. **Overtime & Bonus are NOT covered** (you would receive much less than 60%)
3. **Partial Disability NOT covered** (this occurs more often than Total disability).
4. **Taxable benefits limited to 30%-60%** of your base pay, and the maximum monthly payment can be as low as \$5,000 (\$60,000 a year).
5. **Not portable** temporary coverage, so changing jobs can be a major problem with any minor or major health issues (*you* have a certificate, the employer owns the contract).
6. **Not guaranteed** so coverage can change or be discontinued at almost any time.
7. **Reduced monthly benefit** if you receive any money from any other source (integrated with Workman's Comp, State & Social Security disability).
8. **No cost-of-living** adjustment (while disabled, the monthly benefit will not increase every year).
9. **Legal remedies** for a wrongful claim denial are limited and expensive – attorneys feel that under ERISA you are literally at the mercy of the insurance company (unlike IDI, and this is a LOT more important than you might think.).



Top Five Reasons for Income Protection

● #5 Reason: Maintain Your Lifestyle

When a disabled person's average living expenses totals **more than \$200,000** per year, savings accounts don't last long. And, bills keep piling up. Your income decreases and your expenses increase when you suffer a debilitating illness or injury. When life throws you a curveball, the last thing you want to think about is downsizing or cutting back. However, with a solid income protection policy in place, you will be able to keep your current lifestyle.

● #4 Reason: Ensure Your Future

The first contribution you stop making when you become disabled is to your 401K. If that happens, forget about a comfortable retirement. Without that retirement money, you and your loved ones will continue to struggle for years to make ends meet. You don't need to sacrifice your retirement dreams. With disability income insurance, paycheck protection is affordable and achievable.

● #3 Reason: Secure Your Children's Success

If you can't meet or make your monthly expenses and pay your medical bills, how are you going to save for your children's future? In the wake of disability, saving for college often falls to the wayside. If there is no safety net in place, your only concern will be financial survival every day, not saving for the future. You can keep your children on the debt-free college-track with a solid disability insurance policy.

● #2 Reason: Safeguard Your Spouse

If you are the breadwinner of your family, you need to protect your paycheck. If you suffer a disability and can no longer work, your partner will likely need to work longer and harder to replace your income and cover medical bills. However, if you have disability income insurance, you can keep the bread on the table and prevent your partner from having to work multiple jobs.

● #1 Reason: Preserve Your Confidence

Getting injured is stressful. Not working is stressful. Mounting piles of bills are stressful. When you are injured, extreme stress can lead to slower recovery times and cause depression. If you are already suffering physical distress, you don't need the mental anguish the lack of income causes. You can avoid that pain and instill a sense of confidence with a solid income protection policy. With stress out of the picture, you'll be back to work in no time!

The first contribution you stop making when you become disabled is to your 401K. If that happens, forget about a comfortable retirement.

Without that retirement money, you and your loved ones will continue to struggle for years to make ends meet. You don't need to sacrifice your retirement dreams. With disability income insurance, paycheck protection is affordable and achievable.

Disability Stat Pack

The top reasons every working American needs paycheck protection

Just over **1 in 4** of today's 20 year olds will become disabled before they retire.¹



In December of 2010, there were over **2.5 million** disabled workers in their 20s, 30s, and 40s receiving SSDI benefits.²



The average long-term disability claim duration is **31.2 months.**³



75% of Americans don't have enough savings to cover their bills for six months.⁴

Approximately **90%** of disabilities are caused by illnesses rather than accidents.⁵



Medical problems contributed to 62% of all personal bankruptcies filed in the U.S. in 2007, a 49.6% increase over results from a similar 2001 study.⁶



One in three Americans between ages 35 and 65 will become disabled for more than 90 days.⁷

1 Social Security Administration, Fact Sheet March 18, 2011

2 Social Security Administration, Disabled Worker Beneficiary Statistics, ssa.gov

3 2010 Gen Re Disability Fact Book

4 Bankrate.com, Financial Security Index Survey, June 24, 2013

5 Council for Disability Awareness, Long-Term Disability Claims Review, 2011

6 The American Journal of Medicine, June 4, 2009 Medical Bankruptcy in the United States, 2007: Results of a National Study; David U. Himmelstein, MD, Deborah Thorne, PhD, Elizabeth Warren, JD, Steffie Woolhandler, MD.

7 Statistics, ssa.gov

Five Disability Insurance Myths

Why do Americans forget to insure their paychecks? Because they usually believe one of these disability insurance myths:

Myth #1: Social Security will cover me if I become disabled.

Reality: Social Security only pays benefits to those with total disability, which is defined very strictly. It does not cover partial or short-term disabilities.

Myth #2: I have disability insurance through my employer.

Reality: Many people are fortunate to work for a company that cares for its employees – that's a huge benefit. However, most group disability insurance plans only cover 60 percent of an employee's income with TAXABLE benefits. After taxes, they receive just 42 percent of their income. If they can sustain their lifestyle on 42 percent of their income, they're in great shape. If not, they should consider a supplemental policy.

Myth #3: Disability insurance is too expensive.

Reality: By looking at the value received compared to the cost, disability insurance is actually less expensive than auto or homeowners insurance. For just a few dollars a day, a person can insure millions in tax-free income. **There's truly no better deal.**

Myth #4: I'm probably uninsurable.

Reality: Very few people are uninsurable. Carriers offer plans for medically-impaired individuals, those who work in high-risk occupations and even for those with high-risk hobbies.

Myth #5: I'm not going to be disabled. I work in an office!

Reality: Seventy-five percent of disability is caused by illness rather than injury, and statistics show that one-third of individuals between the age of 30 and 64 are disabled at least once in their lifetimes. Ask the question, can you afford to go without a paycheck for six months or more?

Now that you understand the facts, you surely agree disability insurance is an essential component of every financial portfolio. And with the lackluster economy, consumer interest in income protection is gaining momentum. There's never been a better time paycheck protection.

The time is now. Here are three important reasons why:

- Rates are lower now than they've been in some time.
- For the first time ever, underwriting is simplified. In fact, many disability insurance carriers are writing up to \$5,000 of coverage each month without the need for medical exams, blood samples and income documentation!
- Limits and options are on the rise. To maximize your protection, consider a combination of critical illness and disability insurance.

Abide by the old proverb, "There's no time like the present." Don't delay – Make paycheck protection your priority.

Special Advertising Section

DISABILITY INSURANCE

{ May is Disability Insurance Awareness Month }



Preparing for the Unexpected

For financial security, disability insurance tops the list

By Russ Banham

Everyone makes financial decisions important to leading a productive, fulfilling life, from buying life insurance and health insurance to putting aside money in a nest egg for the uncertain future. An equally significant but oft-overlooked component of financial planning is disability insurance, which financially offsets the impact of an illness or injury preventing the ability to earn an income.

Your income often is your largest asset. If you take what you earn today and multiply it by the number of years you expect to work, you have an idea of the financial security that would be compromised in the event of a disability. It's estimated that a lengthy disability will cost a 25-year-old worker who makes \$50,000 a year a potential loss of \$3.8 million in future earnings. For those in higher income brackets, a disability could mean a drastic change in lifestyle.

Considerable Risk

Prior to the current recession, many people may have believed their savings and investments would take care of their financial needs in the event they could no longer work. Certainly, fewer people have this perception today. The economic crisis has left many Americans with less to fall back on financially, making them more vulnerable to serious financial hardship in the event they are disabled and unable to earn an income.

"People understand the point behind life insurance, the notion that if I die prematurely my death will have a serious financial impact on my family's future, yet they often fail to perceive the financial risks of a disability," says former Oklahoma Governor Frank Keating, president of the American Council for Life Insurers (ACLI), a non-profit trade association.

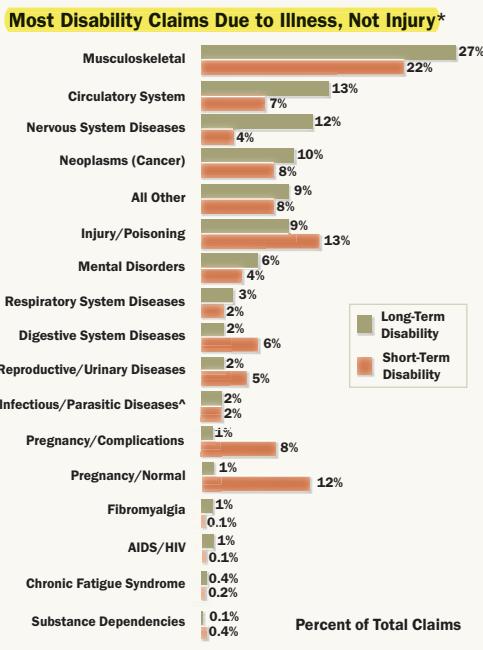
Yet, these risks are quite real. The U.S. Commerce Department says one in seven workers can expect to be disabled for five years or more before they retire; one in five will suffer a disability lasting a year or more, maintains the National Association of Insurance Commissioners. Here are some more disturbing statistics: Three in 10 workers entering the work force today will become disabled before retiring. And of the more than 6.8 million workers who are receiving Social Security Disability benefits, almost half are under age 50.

"Most people naively think, 'Disability won't happen to me, it will happen to someone else,'" says Kimberly Mashburn, vice president of strategic partnerships at insurer Prudential Group Insurance. "The lack of knowledge is troubling."

Barry Lundquist, interim president of the Council for Disability Awareness, concurs. "People are unaware or confused about the risk of disability, the impact on their income stream, and the premium for the insurance, which is pennies on the dollar," he says.

Government Benefits Meager

"Many employees believe Social Security Disability Insurance benefits will cover them, but these benefits are very hard to obtain and require total disability. However, employers' disability offerings are



Source: JHA Disability Fact Book, Fifth Edition, 2008; JHA, 2006 U.S. Group Disability Rate & Risk Management Survey (*Percent of open claims as of 12/31/2005; represents average for participating companies) (^Excluding AIDS/HIV)

more flexible and cover even partial disabilities," says Robert Risk, vice president of sales for group protection at insurer Lincoln Financial Group.

To qualify for Social Security Insurance, a person must be disabled for five full calendar months, and the disability must be expected to last at least 12 months or otherwise end in death.

A disabled individual also must be unemployable at any occupation, not just his or her own line of work at the time of the disability. Consequently, 60 percent of those who apply for Social Security Insurance are initially denied it, and those who make the grade often have to wait months, sometimes longer, to receive the benefits. Once monies are received, it usually serves only as a supplementary income — averaging slightly more than \$1,000 a month, according to the non-profit Life and Health Insurance Foundation for Education (LIFE). "Government benefits should not be depended on for a comfortable disability income," says Matthew

Tassey, past chairman of LIFE and president of Burwell & Burwell, a Portland, Maine-based insurance and employee benefits brokerage.

Quick and easy recourse to government largesse is just one of many misconceptions about disability risks and cost. Many people mistakenly believe that workers compensation will absorb income lost to a disabling illness or injury, but the insurance only addresses work-related causes. The National Safety Council gauges that nearly 90 percent of disabling accidents and injuries are not work-related and, therefore, not covered by workers compensation.

Another fallacy is that most disabilities are caused by accidents and injuries. Actually, according to an evaluation of claims by JHA, a disability reinsurer, 90 percent of disabilities are caused by illnesses. Vascular problems, musculoskeletal conditions and cancer are among the medical causes of most disabilities, with pregnancy an additional factor for women.

Withstanding Income Loss

The most pervasive misconception may be a flawed trust in one's ability to financially withstand the loss of income in the event of a disability, especially a prolonged one.

A study of bankruptcy filings by Harvard University revealed that medical disability led to nearly half of the 1.458 million bankruptcy filings in 2001. This research parallels the findings of an earlier Housing and Home Finance Agency study that found 48 percent of home foreclosures were the result of disability while a mere 3 percent resulted from the homeowner's death.

These figures are made more alarming when considering the current economic climate, which has markedly reduced the value of homes and savings and investment accounts. "There is far less to fall back on if you become ill or hurt and can't work for an extended period of time," says Tassey.

Paying for the mortgage and kids' college educations, not to mention a worry-free retirement, will be out of reach for many people who become disabled, even those with significant savings and investments. "Without reliance on a regular paycheck people will watch their assets deplete," says Tassey. "Yet, they still have to pay their taxes, the energy bill and health insurance premiums."

No Time to Skimp

There is concern that in the effort to economize,

"Most people naively think, 'Disability won't happen to me, it will happen to someone else.'"

— KIMBERLY MASHBURN

Tassey. "Yet, they still have to pay their taxes, the energy bill and health insurance premiums."

Continued on next page

Illustrations by Peter Hoey

The length of disabilities

Disabilities that last more than 90 days often last for several years.* Could you manage financially for that length of time?

Age	Duration ^{**}
Under 40	5.1 years
40-44	6.6 years
45-49	6.6 years
50-54	5.6 years
55-59	3.8 years

* Individual Disability Experience Committee, Society of Actuaries, 2005.

** Average Duration of Disability Lasting More Than 90 Days and beginning before age 65. Duration is measured from the start of disability to (at most) age 65.

The table below which shows the likelihood of a continuing disability for an individual who has been disabled for 90 days should be helpful as you consider both plans.

Obviously, a plan providing benefits to age 65 costs more than a plan which provides benefits limited to 5 years.

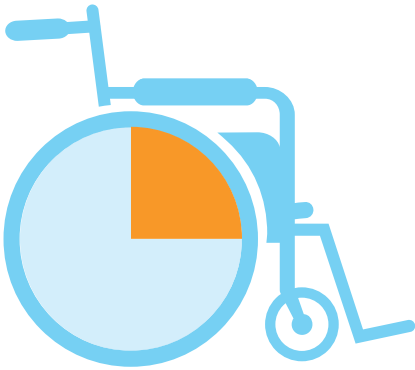
Age When Disabled for 90 Days	People Still Disabled at End of Two Years and 90 Days	People Still Disabled at End of Five Years and 90 Days
25	63.5%	44.2%
35	69.7%	52.6%
45	73.6%	58.0%
55	77.6%	59.6%

Source: Insurance Commissioner's Disability Tables

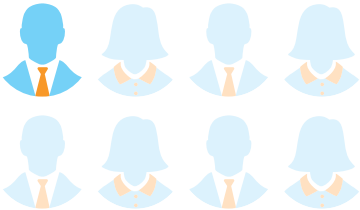
Why Income Protection Matters

Are You
Aware of the Chances
of a Disability?

An individual entering
the workforce today has a
25% CHANCE
of becoming disabled before retirement.¹



ONE IN EIGHT WORKERS
will be disabled for five years or more
during their working careers.²



Would You
Be Prepared if You
Lost Your Income?

50%
OF AMERICANS
said they'd draw from
savings or investments
to pay their bills if they
couldn't work.³



57%
OF AMERICANS
said they only had enough
money to pay for six months
or less of bills.³

Do You
Understand Your Current
Level of Coverage?



60%
is the average percentage of income
replaced by an employer LTD policy.⁴



The typical maximum
monthly benefit offered by
a group LTD policy.⁴

Protect Your Income with Individual Disability Income Insurance

It's possible your employer provides group long term disability (LTD) insurance, which offers a base of income protection for employees. However, LTD often doesn't provide enough coverage for professional occupations. Unlike LTD, individual disability income insurance can cover incentive pay. Benefits may also be tax-free, allowing you to keep more of your money when you need it most.

¹ U.S. Social Security Administration Fact Sheet, February 7, 2013.

² Council for Disability Awareness Commissioner's Disability Insurance Tables A and C, assuming equal weights by gender and occupation class. Available at http://www.disabilitycanhappen.org/chances_disability/disability_stats.asp. Accessed July 3, 2013.

³ Council for Disability Awareness, Consumer Disability Awareness Study, 2014.

⁴ The Standard internal data.



Individual Disability Insurance Claims Paid by The Standard[‡]

Occupation	Age at insurance issue	Age at claim	Monthly Benefit	Diagnosis
Internist	29	31	\$13,000	Intestinal Disease
Manager	30	32	\$5,500	Back Disorder
Consultant	30	33	\$7,200	Rheumatoid Arthritis
Dermatologist	30	32	\$5,000	Nervous System Disease
Dental Resident	31	33	\$4,000	Nervous System Disease
Attorney	31	34	\$12,043	Nervous System Disease
Ophthalmologist	31	35	\$5,250	Joint Disease
Wholesale/Retail Manager	34	36	\$4,870	Nervous System Disease
Finance Manager	31	37	\$6,380	Brain Condition
Construction Worker	32	37	\$4,692	Eye Disease
Family Medicine Physician	31	38	\$10,000	Amputation of fingers
Orthodontist	36	39	\$10,500	Rheumatoid Arthritis
Real Estate Manager	38	39	\$7,500	Hearing Loss
Registered Nurse	33	39	\$4,500	Brain Injury
Executive	37	41	\$3,333	Leukemia
Accountant	37	42	\$11,000	Brain Cancer
Sales Manager	39	42	\$4,342	Sarcoidosis
Investment Professional	35	43	\$4,043	Muscular Disease
Executive	30	44	\$10,172	Neurotic Disorder
Insurance Manager	44	45	\$3,485	Multiple Sclerosis
Manager	39	46	\$8,000	Joint Disease
Finance Manager	38	46	\$4,500	Major Depression
Physician	33	47	\$3,000	Retinal Detachment
Waiter	42	49	\$2,942	Brain Disorder
Project Manager	47	49	\$3,620	Osteoarthritis
Veterinarian	40	49	\$4,000	Joint Disease
Delivery Driver	45	49	\$1,500	Osteoarthritis
Marketing Professional	44	50	\$8,100	Brain Disorder
Technical Manager	45	50	\$2,060	Osteoarthritis

Benefits Paid to Individual Disability Insurance policy holders by Standard Insurance Company:

2014: \$107,294,310
2013: \$104,061,149
2012: \$99,267,098

[‡] The Standard is a marketing name for StanCorp Financial Group, Inc. and subsidiaries. Insurance products are offered by Standard Insurance Company of Portland, Ore. in all states except New York, where insurance products are offered by The Standard Life Insurance Company of New York of White Plains, N.Y. Product features and availability vary by state and company, and are solely the responsibility of each subsidiary. Each company is solely responsible for its own financial condition. Standard Insurance Company is licensed to solicit insurance business in all states except New York. The Standard Life Insurance Company of New York is licensed to solicit insurance business in only the state of New York. Note for policies issued in New York: This policy would provide disability income insurance only. It does not provide basic hospital, basic medical or major medical insurance as defined by the New York State Department of Financial Services. The expected benefit ratio is at least 55% for individual coverage and at least 60% for franchise coverage. This ratio is the portion of future premiums which The Standard expects to return as benefits, when averaged over all people with the applicable policy.

These are examples of paid claims by Standard Insurance Company. This list is not a representation about the distribution or administration of all claims submitted to or paid by The Standard. Each claim submitted to The Standard is evaluated on its own merits and according to the terms of the applicable disability insurance policy. The descriptions of the conditions listed above are only general descriptions, and having one or more of the listed conditions does not establish disability. The applicable disability insurance policies have exclusions and limitations, and terms under which the policies may be continued in force or discontinued. For costs and complete details of coverage, please contact your insurance representative or The Standard at 800.247.6888 (800.378.6057 in New York).

www.standard.com/di



If you're disabled, how much income protection is enough?

Group long term disability insurance may not cover enough of your income.

Margo has group long-term disability (LTD) coverage from her employer, but she never thought much about the amount of income it replaces. Recently, after she accepted a promotion to a position that includes incentive pay, she found out that her group insurance only covers 60% of her base pay and none of her incentive bonus. And since her employer-paid group LTD benefits are taxable, her effective coverage is even less.

What if your income stops while life keeps going?

A weekend sports injury. A bad back. A car accident. A serious illness. Any of these could affect your ability to work and earn an income. Fortunately, your employer provides group disability benefits to give you a basic source of income if you can't work due to a disabling accident or sickness.

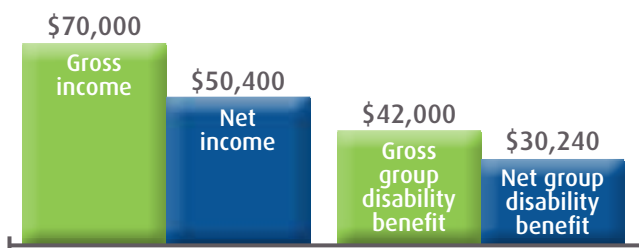
How much income protection is enough?

As important as it is, your company's group LTD plan may only provide a basic level of insurance. Supplemental individual disability insurance can help protect a greater portion of your income than group LTD alone. How much protection is enough? Consider the following:

Taxes

If your employer pays for your disability coverage, your benefits are taxable. If you pay for your disability coverage, benefits are tax free, under current law.

Will 60% of your take-home pay be enough during a disability?



Example assumes that Group LTD covers 60% of base income with a 28% tax level.

Bonus and incentive pay

If performance pay, bonuses and incentives are a significant part of your income, consider that these may not be replaced under your employer-provided group LTD plan.

With incentive pay that may not be covered, how much will be enough during a disability?



Your financial plans

Additional coverage can mean the difference between staying on track financially — preserving your 401(k) contributions and other savings — or borrowing from your savings account, your children's college fund or your retirement account.

How much income protection do you have?

If you're like most people, you're sketchy about the details of your insurance coverage until you need its benefits. But often that's too late to make changes you might need. So test your knowledge now.

My group income protection...

Replaces _____ % of my income up to \$ _____ a month.

Pays benefits until I reach age _____, if I am disabled and unable to work.

Begins paying benefits after I have been disabled and out of work for _____ days.

Help protect your income from the impact of disability.

Your group long term disability (LTD) benefit, provided by your employer, can replace up to **60%** of your base salary.

Individual disability insurance (IDI) from your employer can provide additional financial security if a covered injury or illness keeps you out of work. It pays you a monthly benefit, in addition to your group LTD benefit, if you have a covered disability. It helps you recover a larger portion of your total income.

Here's an example:

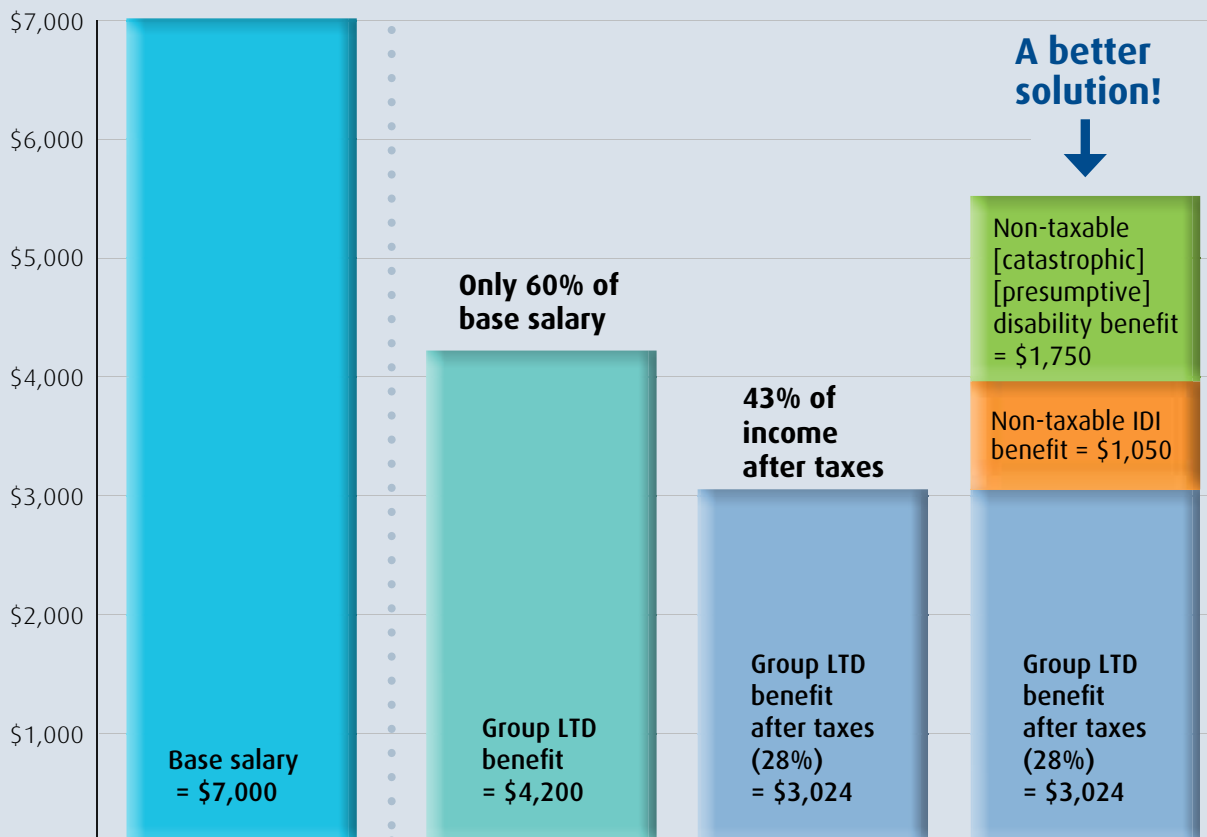
- Let's say you earn **\$84,000** in total annual compensation, or **\$7,000 per month**. Group LTD replaces **60%** of your monthly base salary, or **\$4,200**, which is taxable under current tax laws.
- Individual disability insurance covers more of your total compensation. When combined with your group LTD coverage, it can replace up to 75% of your gross monthly

compensation (\$5,250) — that's an additional \$1,050 in benefits. Best of all, individual disability insurance benefits are tax free because you pay the premium.



Compare . . .

. . . your total monthly cash compensation to your current disability benefit



(For illustrative purposes only.)