

What Doctors Need to Know about Disability Insurance



Physicians aren't known for having an abundance of free time, so preparing for the financial results of a lengthy disability often gets put on the backburner. However, even for healthy physicians this can be a very costly mistake.

Many people who become disabled, even those with good jobs such as physicians, are surprised to discover that they aren't eligible for workers' compensation *or* social security benefits. Being too disabled to work, they are left without any real source of income. Their lack of preparation for this situation could cost them their savings, their home, and their financial security.

And this isn't as rare as you might think. ***One in four*** of today's 20-year-olds will become disabled before they reach retirement age (Source: the Social Security Administration)¹. Because becoming disabled is a statistically significant risk, disability insurance is something even busy physicians should make the time to think about.

An Unbiased Guide

But it is difficult to find someone who you can trust to help you weigh the options. Many articles written online about disability insurance are written by insurance companies themselves or by organizations that financially benefit from insurance sale referrals.

However, as a fee-only financial planning firm we make no commission from selling any financial products, including insurance. Since we have no skin in the game, we are pleased to be able to offer you this article as an unbiased guide, and we hope it helps you to decide if disability insurance is right for you.

Will I be Covered?

One of the most important questions to ask is, if something happens and I am unable to work, will I receive enough money to maintain my financial obligations? Will Social Security and workers' compensation be enough, or should I purchase private insurance? These are important questions, and they are addressed in detail below.

Will Social Security Cover Me?

Don't count on it. Social Security benefits are designed to operate as a social safety net for only the most in need. Because of this, it can be very difficult to qualify for benefits. A crucial fact that not many people realize is that Social Security requires you to *prove* that you are unable to work in any occupation.

This means that even if you could prove that you are unable to work as a physician, it doesn't mean you will qualify for benefits. You would have to show that you are unable to work in *any* occupation. If you are unable to work as a physician but could work as a receptionist, you shouldn't expect to qualify for Social Security disability benefits.

And even if you do qualify for benefits, the actual amount you receive is usually insufficient to meet the living expenses of physicians.

Will Workers Compensation Cover Me?

Don't count on it. Workers' compensation only covers job-related illnesses and injuries. The *vast majority* of long-term disabilities are *not* job-related.

Only 5% of long-term disabilities are caused by on-the-job injuries or illnesses (Source: Council for Disability Awareness)ⁱⁱ. A whopping 95% of long-term disabilities and illnesses don't originate from job related causes and so won't be covered by workers' compensation. Those are no odds to count on.

Will Employer-Sponsored Benefits Cover Me?

Don't count on it... at least for very long. Many employers only offer **short-term coverage** and many policies have **strict limitations**. For example, many policies only last for about six months and don't pay until you have been disabled for a few months. If you have an employer-sponsored policy, do you know what it covers? It is a question worth discussing with a trusted financial advisor.

Purchasing a policy through your employer

Are you considering purchasing insurance through your employer or professional association? Here are some important questions to ask your employer...

1. **How much** of my income will be covered?
2. **How long** will I receive payments?
3. How long is the **elimination period** (the time between the start of your disability and receiving payments from the insurer)?
4. Is my coverage **portable** (can I take it with me if I were to leave my employer)?

Should I purchase a private policy?

We've seen that workers' compensation, employer-sponsored benefits, and Social Security all have serious limitations. However, a benefit of purchasing a private insurance policy is it will often lack those limitations.

Here are some benefits often included with private insurance policies:

- **“Own Occupation” definition**
 - o Unlike Social Security that only covers you if you cannot work in *any* occupation, private policies often cover you when you cannot work in *your occupation*. Under this definition, you would be covered as long as you cannot do your job as a physician even if you were technically able to work in some other job.
- **Flexibility**
 - o Private policies often include the ability to **tailor your coverage** towards your needs. This can include choosing your elimination periods, the length of time benefits would last, and the amount of money you would receive if you became disabled.

But how are private policy rates determined? Here are some important factors that are usually used to determine premiums:

- Occupation
- Medical history and information
- Age
- Hobbies

Because age is usually a determining factor in premium amounts it is best not to wait too long to apply for coverage. Because of this, if you decide to apply for coverage, the best time to apply is probably now.

Conclusion

No one has a crystal ball, so it's impossible to know if you will end up using your disability insurance or not. Hopefully this guide helped you to understand how disability insurance works so you are in a better place to decide if it is right for you.

In addition, physicians often find that it helps to talk the decision through with an unbiased financial advisor. An unbiased advisor can help you make an informed decision based on objective facts, tailored **to your unique situation**.

Fee-only financial planners can be a great resource since they have a fiduciary responsibility to their clients. Unlike many other advisors, they do not make commission from selling financial products such as insurance. [Click here](#) to learn more about how the fee-only financial planners at Gold Medal Waters can help you.

If you think this article could help other doctors you know, please do not hesitate to share it with them. You could save them from the all too common financial disaster that can result from being unprepared for the effects of a long-term disability.

ⁱ <https://www.ssa.gov/disabilityfacts/materials/pdf/factsheet.pdf>

ⁱⁱ <http://www.unl.edu/smmc/Guide%20to%20Disability%20Income%20Insurance.pdf>