

Evaluating On-The-Job Disability Protection

Disability income insurance - the kind of insurance that replaces income lost when you can't work because of accident or illness - is one of the most important kinds of insurance you can have. Yet many people never give it a thought, perhaps because they assume they are adequately covered on the job.

Before you make that assumption, find out what kind of disability coverage, short-term or long-term, your employer actually provides.

Short-Term Benefits

Short-term disability benefits are most common. They're required by law for virtually every employer in at least six jurisdictions. And they make up part of the benefits package in 94 percent of the medium and large firms surveyed nationwide by the U.S. Department of Labor. Employees are usually eligible for short-term benefits starting on the day they're hired. Benefits typically run for under six months, although there's considerable variation. Some plans pay benefits for up to a year, while others provide for just a few days of sick pay.

Long-Term Benefits

Long-term benefits, which provide an income if you have a serious disability, are another story. Just 48 percent of the surveyed employers provide long-term benefits. These benefits usually start when short term benefits are exhausted, typically about six months after disability begins. Furthermore, employees usually have to be on the job for six months to a year before becoming eligible.

Do you have adequate disability coverage on the job? Or should you consider an individual policy, either for long-range protection or to tide you over until you become eligible for an employer's plan?

If you need an individual policy, here are the things to consider:

- Monthly benefits, depending on your current income, will provide two-thirds to three-quarters of that income. No insurer will replace your entire salary; it might be too

much incentive to stay home. But disability benefits for which you've paid the premiums are not taxable as income; benefits that result from an employer-paid disability policy are subject to tax.

- You can keep premium costs down by self-insuring for as long as possible, electing to have benefits start after 60 to 90 days instead of 30 days. You can also cut costs by electing to receive benefits for two to five years instead of to age 65, but this would be penny-wise and pound-foolish. The illness you want to insure against is the illness that cuts short your working life.