SKYBRIDGE INSURANCE

Protect Your Paycheck: Disability Income Insurance Guide

Own-occupation vs. any-occupation, elimination and benefit periods, the employer-coverage gap, and how to right-size disability income coverage.

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Your ability to earn an income is almost certainly your largest financial asset — a 35-year-old earning $70,000 will earn more than $2 million before retirement. Roughly one in four of today's 20-year-olds will experience a disability lasting 90 days or more before age 67, according to the Social Security Administration. Disability income (DI) insurance replaces a portion of your paycheck when illness or injury keeps you from working. This guide explains how it works and how to buy it well.

What's inside

- Short-term vs. long-term disability — and where employer coverage falls short
- The five policy terms that determine whether you actually get paid
- Own-occupation vs. any-occupation: the most important definition in the policy
- Elimination and benefit periods, and how to use them to control cost
- How much coverage you need (and can buy)
- Sample premium ranges and cost-saving levers
- A coverage-gap worksheet

1. The employer-coverage gap

Many workers assume they are covered through work. Group long-term disability (LTD) is valuable, but it has predictable gaps:

- **It typically replaces 60% of base salary** — bonuses, commissions, and overtime are usually excluded.
- **Benefits are taxable** when the employer pays the premium, so a 60% benefit can net closer to 45% of take-home pay.
- **Monthly caps** (often $5,000–$10,000) hit higher earners hard.
- **Definitions get stricter after 24 months** — most group plans switch from own-occupation to any-occupation.
- **It is not portable.** Leave the job and the coverage ends; buying later means higher age and possibly new health issues.
- **Short-term disability** (STD) typically covers 3–6 months only, and about 40% of private-sector workers have no STD at all.

Individual DI insurance fills these gaps: it is owned by you, follows you between jobs, pays benefits income-tax-free (when you pay the premium with after-tax dollars), and can be written on your own occupation for the full benefit period.

2. The five terms that decide whether you get paid

Term	What it means	What to look for
Definition of disability	The test you must meet to receive benefits	Own-occupation for the full benefit period (see section 3)
Elimination period	Waiting period before benefits start	90 days is the sweet spot for most; fund it with emergency savings
Benefit period	How long benefits can last	To age 65 or 67 for a career-long protection
Monthly benefit	Amount paid while disabled	60–70% of gross income, up to carrier issue limits
Renewability	Whether the carrier can change or cancel the policy	Non-cancelable and guaranteed renewable — premium and terms locked to 65

3. Own-occupation vs. any-occupation

True own-occupation: you are disabled if you cannot perform the material duties of *your* occupation — even if you work in another field. A surgeon who can no longer operate but teaches medicine still collects the full benefit. This is the gold standard, especially for physicians, dentists, attorneys, and skilled trades.

Modified own-occupation (own-occ, not engaged): pays if you cannot do your job *and* are not working elsewhere. Less expensive; reasonable for many professionals.

Any-occupation: pays only if you cannot work in *any* job for which you are reasonably suited by education and experience. This is the Social Security standard and the post-24-month definition in most group plans. Approval rates are far lower.

Also ask about **residual/partial disability** benefits (paid when you can work but lose 20%+ of income), and **mental/nervous limitations** (many policies cap these claims at 24 months).

4. Using elimination and benefit periods to control cost

The elimination period works like a deductible. Moving from a 30-day to a 90-day wait can cut premiums 25–40%; moving from 90 to 180 days saves another 10–15%. Match the wait to your emergency fund plus any employer sick leave or short-term disability.

The benefit period is where you should *not* economize. A 2-year benefit period is 40–50% cheaper than to-age-65, but the catastrophic scenario — a disability that lasts a decade — is exactly what insurance is for. If budget is tight, keep to-age-65 and lower the monthly benefit slightly instead.

5. How much coverage you need

Carriers will typically issue 60–70% of gross earned income (less if you have group LTD). Start from your essential monthly expenses — housing, food, insurance, debt payments, childcare — and subtract other income that would continue (spouse's pay, rental income, group LTD after tax). The remainder is your target benefit.

6. What it costs

Individual DI premiums usually run **1–3% of annual income**. Illustrative monthly premiums for a **$5,000/month benefit, 90-day elimination, to-age-65 benefit period, own-occupation, non-tobacco**. Actual rates vary by occupation class, state, carrier, riders, and health.

Age	Office / professional (approx./mo)	Skilled trade / field work (approx./mo)
30	$85–$140	$130–$210
35	$100–$165	$155–$250
40	$125–$200	$190–$300
45	$155–$245	$235–$370
50	$190–$300	$290–$450

Women typically pay 20–40% more than men for unisex-unavailable policies; some carriers and association plans offer unisex rates — worth asking.

Levers that lower the premium

- Lengthen the elimination period to 90 or 180 days
- Choose a level (not graded) premium if you plan to keep the policy long-term — graded premiums start lower but rise every year
- Buy early: premiums lock at your issue age and health
- Ask about multi-life or association discounts (often 10–20%)
- Add a future-increase option rider instead of over-buying today — it lets you raise the benefit later without new medical underwriting

Riders worth understanding

- **Residual/partial disability** — pays proportionally when you lose part of your income
- **Cost-of-living adjustment (COLA)** — increases benefits during a long claim
- **Future increase option** — buy more coverage later as income grows
- **Catastrophic disability** — extra benefit if you need help with daily living
- **Student-loan rider** — covers loan payments on top of the base benefit

7. Coverage-gap worksheet

Complete this before your free consultation.

Line	Monthly amount
A. Essential monthly expenses (housing, utilities, food, insurance, debt, childcare)	$
B. Income that continues if you are disabled (spouse, rental, investments)	$
C. Group LTD benefit after tax (gross benefit × ~0.75)	$
D. Social Security disability you could realistically expect (many are denied — consider $0)	$
E. Gap = A – B – C – D	$
F. Months of emergency savings available (sets your elimination period)	
G. Occupation and main duties (determines occupation class)	
H. Gross annual income, including bonus/commission	$
I. Tobacco use? Height/weight? Ongoing prescriptions?	

Next step

Request a free disability income quote at **skybridgeinsurance.com/disability-income-insurance-quote/**. A licensed producer compares carriers for your occupation class, explains the definition of disability in each policy, and shows you exactly how the elimination and benefit periods change the premium. No charge, no obligation.

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