



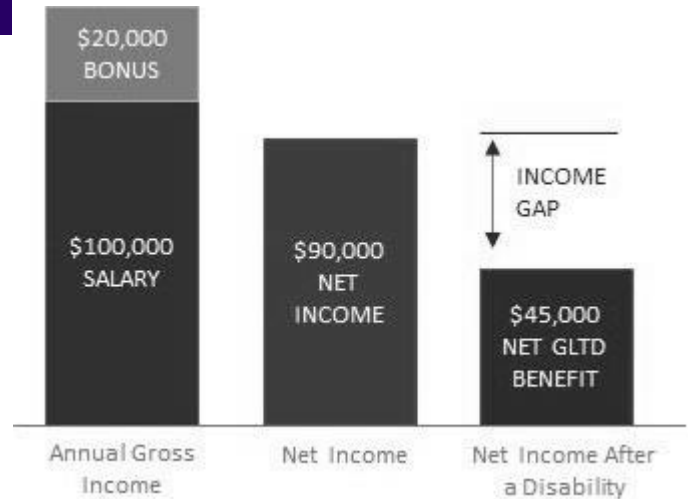
UNDERSTANDING THE POTENTIAL EXPOSURE

Employer provided group long-term disability (GLTD) often only provides basic income protection leaving the client with an inadequate level of income replacement that’s commonly referred to as the “gap” in coverage.

THE DISABILITY INCOME “GAP”

The disability “gap” is the difference between an individual’s current monthly income and the monthly benefit paid through their employer provided GLTD policy in the event that the individual becomes disabled during their working years.

This “gap” can create financial hardship unless properly identified people, and mitigated, with by purchasing an individual Disability Income policy to close the “gap” of income created by the lower benefit GLTD policy. Additionally, it’s important for the financial professional to ensure that their client is aware of any benefit restrictions that may exist within their GLTD benefits and the tax treatment of such benefits in order to properly plan for income in the event of becoming disabled.



Above chart assumes an effective tax rate of 25% and a GLTD plan paid for by the employer that provides 60% to \$5,000 per month.

AN EXAMPLE OF THE DISABILITY INCOME GAP

A LOOK AT THE NUMBERS

DISABILITY COVERAGE “GAP”

John is as a sales manager for a mid-sized company.

Annual Base Salary	\$100,000	
Annual Commission	\$20,000	
Employer Provided GLTD Benefits	60% base salary, up to \$5,000 per month	
GLTD Premiums	Employer Paid-Taxable	
	GLTD	Taxable
\$100,000 Base Salary	\$60,000	\$60,000
\$20,000 Commissions	\$0	-----

LEAVING JOHN WITH A GROSS DI GAPOF:

Salary + Commissions - GLTD Benefit = Gross DI Gap

\$100,000 + \$20,000 - \$60,000 = \$60,000 Gross Gap

TO SUMMARIZE

By purchasing an individual disability income policy, your client is able to close their DI “gap” by using a small portion of their current income to pay the premium.

In the event that John becomes disabled and his GLTD benefits begin following the 180-day waiting period, John will receive 12-months of disability benefit payments from his GLTD policy based on his base salary and up to the maximum allowed income limits..

Assuming an effective tax rate of 25%, John has a net DI coverage “gap” of (\$45,000)

Assumes an effective tax rate of 25% on \$120,000 in salary + bonus, and a GLTD plan paid for by the employer that provides 60% to \$5,000 per month. Individual tax rates may vary.

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