

# Critical Transitions Wealth Advisors

## Disability Insurance - Is Your Coverage Enough?

More than one in four of today's 20-year-olds will become disabled before they reach age 67. Yet most workers don't give a second thought to the need for disability insurance. Do you have enough?

Many think they are covered through their employer's benefit plans or sick leave policy, but this is often not the case. In fact, 40% of private-industry workers have access to short-term disability insurance, while only 33% have access to long-term disability insurance.

Even if you have insurance through an employer-provided plan, you may not be getting all the coverage you need. Typically, workplace group plans are structured to replace only about 60% of your salary for a set period of time. Could you and your family live on essentially half of your salary for a prolonged time frame? If you think you need more coverage, you may need to purchase a supplemental plan that will boost that replacement rate to 70% and increase the length of the payouts.

Finding the right coverage is important. What should you look for in a disability insurance policy? Here are some tips to help you narrow your choices.

- Understand the various definitions of disability - Some policies will cover you in the event you can no longer perform your "own occupation." Others will cover you only if you can no longer do "any occupation." Both tend to be expensive policies. A more wallet-friendly option will cover you for a "loss of earnings" disability. It is designed to make up the shortfall between what you earned before you were disabled and what you earn after.



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- Define your time period - The average long-term disability claim is 31.2 months, or just under three years. Policies can be purchased for various time horizons, including up to your normal Social Security retirement age or for life. Bottom line: The longer your desired horizon, the larger the premiums.
- Premiums will go up with age - The older you are, the more you can expect to pay for your policy. Looking into disability coverage while you are younger could save you in the long run.
- Shop around - The coverage, riders, and premiums can vary widely from company to company. If you are shopping without the help of an independent agent, be sure to check out the policies from several firms and compare them carefully. You should also carefully review the strength ratings of the various insurers you consult. If the company you choose gets into financial trouble, you could find yourself holding a policy that pays out far less than you were promised.

(Source: Social Security Administration Fact Sheet December 2017, US Bureau of Labor Statistics March 2015, Gen RE 2012 Disability Fact Book December 2012)

## 529 College Savings Plans

A 529 plan is an investment plan operated by a state, designed to help families save for future college costs. As long as the plan satisfies a few basic requirements, the federal tax law provides special tax benefits to the plan participant. There also may be state tax deduction benefits depending on your state's plan. If you choose to invest in a 529 plan, you are not restricted to just the plan offered by your own state. However, there may be state tax implications for selecting another state's plan.

One of the key advantages of a 529 plan is the income tax breaks on the non-deductible contributions. Any earnings grow tax-deferred for as long as the money stays in the plan. And when the plan makes a distribution to pay for the beneficiary's college costs, the distribution is federal tax-free as well.

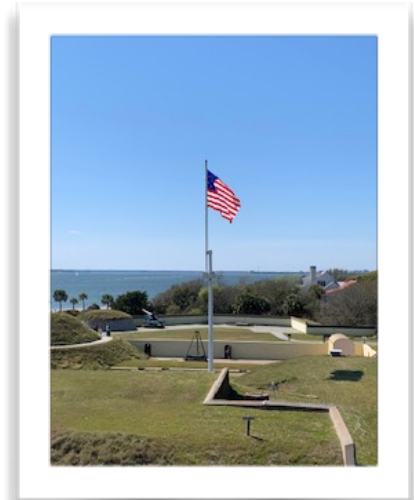
Another major advantage is that the account holder stays in control of the assets in a 529 account. The named beneficiary has no rights to the funds. In fact, the account holder has the flexibility to change beneficiaries at any time, but only once per year. The account holder decides when withdrawals are taken and for what purpose. Most plans even allow account holders to reclaim the funds for themselves any time they desire. However, earnings will be subject to income tax and an additional 10% penalty on non-qualified withdrawals.

In addition to these benefits, 529 plans are one of many ways to save for college. Once you decide on a plan, the assets are professionally managed either by the state treasurer's office or by an outside investment company. And everyone is eligible to take advantage of these plans—there are generally no income limitations or age restrictions.

The most important thing you can do to secure a child's educational future is to start planning today.

## Office Hours

Our office will be closed Monday, May 27th in honor of Memorial Day.



**Need a speaker for your church, group, or club? Stephanie speaks regularly on a variety of financial topics you will enjoy and find personal applications to benefit you and your colleagues. Call Jessie today to schedule at (803) 749-7012.**



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