



### Most Workers Underestimate Risk, Are Financially Unprepared for Disability

#### New Survey Findings from the Council for Disability Awareness

## Introduction

With the average age of the American worker on the rise, the number of employees experiencing a long-term disability – one that keeps them out of work for three months or longer – is increasing rapidly. According to the Social Security Administration, the number of disabled workers in America has risen by 35 percent since 2000.

But are U.S. workers aware of their risk of becoming disabled? And are they preparing themselves and their families for the significant financial impact of a long-term disability?

## Survey Overview

To find out, the Council for Disability Awareness (CDA) conducted a survey in January and February of 2007 that explored disability awareness and preparedness among the American workforce. CDA worked with the research firm StrategyOne to conduct a 15-minute telephone survey of 1,000 working American adults ages 18 to 65. The margin of error for the sample size was +/-3.1 percentage points at the 95% level of confidence.

The survey revealed that most workers grossly underestimate their chances of becoming disabled and haven't considered the financial impact of a disability. These statistics are alarming, given that three out of every 10 workers between the ages of 25 and 65 will experience an accident or illness that keeps them out of work for three months or longer.<sup>1</sup>

## Key Findings<sup>2</sup>

### *Disability Not Top of Mind*

The survey demonstrated that the possibility of becoming disabled isn't on the mind of most American workers.

- The majority of workers (56 percent) don't realize that the chance of becoming disabled has risen over the past five years.
- Nine out of 10 workers vastly underestimate their own chances of becoming disabled.
- Eighty-five percent of workers expressed little or no concern that they may suffer a disability of three months or longer.
- When asked why they hadn't discussed how to manage the

financial impact of a potential disability, 38 percent of respondents said they “haven’t really thought about it.”

### ***Financial Security at Risk for the Unprepared***

The survey also showed that most workers haven’t taken effective measures to prepare themselves and their families for the potential financial hardship of a long-term disability.

- Nearly 60 percent of workers have not discussed how they would manage an income-limiting disability.
- Nearly two-thirds (64 percent) of respondents with 401k or IRA plans are unaware of what would happen to their retirement savings should they become disabled and unable to earn an income.

The survey also found that workers may have unrealistic expectations of how they would be covered if they became disabled. One-quarter of respondents (26 percent) said if they were unable to earn an income for six months or longer as a result of a disability, they would rely on Social Security or workers’ compensation.

However, the vast majority of income-limiting accidents or illnesses don’t occur on the job, making workers’ compensation inapplicable. Social Security may not be adequate either, as less than half (39 percent) of the 2.1 million workers who applied for Social Security Disability Insurance benefits in 2005 were approved.<sup>3</sup>

### ***Women More Aware, Less Prepared***

When analyzed by gender, the survey data revealed that women are more aware than men of the threat of disability, but are still not taking steps to prepare themselves financially.

- Working women are more aware than men that disability is on the rise (53 percent versus 35 percent).
- Nearly half of female workers (49 percent) expressed concern that they might suffer a disability of three months or longer.
- Only 38 percent of female workers have discussed how they would manage an income-limiting disability.

### ***Confidence in Planning Ahead***

The survey, however, found that more than 80 percent of workers who *have* planned financially for a disability are confident about their ability to maintain their current lifestyle if a disability strikes.

## **Implications**

By underestimating the chances of becoming disabled and failing to plan effectively, workers risk serious financial repercussions. Between high medical bills and lost income, an accident or illness that causes a long-term absence from work can drain a family’s savings. In fact, more than half of all personal bankruptcies and mortgage foreclosures are due to medical expenses and disability.<sup>4</sup>

Moreover, although the majority of workers who have planned ahead feel confident about their ability to maintain their current financial lifestyle if they experience a disability, data reveal that many of these individuals may be overestimating their confidence level.

In reality, in today's unstable economic environment, most Americans cannot afford to become disabled. For example, the average household credit card debt is at an all-time high of \$9,300, and Americans' savings rate is the lowest it has been in 73 years.<sup>5</sup>

The survey underscores a critical need to better inform America's workforce about the likelihood of experiencing a disability, as well as steps workers can take to protect their finances in case a disability does occur.

Effective planning measures can include the following:

1. Take preventive health measures to reduce the chances of experiencing a disability;

2. Begin to discuss how an income-limiting disability would impact your current financial situation;
3. Take steps to understand what financial resources would become available to you should disability strike – social security, workers' comp, employee sick leave and disability benefits;
4. Take advantage of disability programs offered through employment or purchased individually.

With proper planning, American workers can reduce their chances of becoming disabled and improve their chances of financial stability should a disability strike.

For more information on resources that can help you assess your current financial situation and plan to enhance your financial security, visit the CDA Web site, [www.disabilitycanhappen.org](http://www.disabilitycanhappen.org).

## References:

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<sup>1</sup> "Disability Insurance: A Missing Piece in the Financial Security Puzzle." America's Health Insurance Plans, page 7, 2004.

<sup>2</sup> "2007 Disability Awareness Survey." StrategyOne on behalf of Council for Disability Awareness.

<sup>3</sup> Social Security Administration, Office of Disability and Income Security Programs.

<sup>4</sup> *Health Affairs*, the Policy Journal of the Health Sphere. February 2, 2005.

<sup>5</sup> *Parade Magazine*, April 23, 2006.

**APPENDIX A**  
**“2007 Disability Awareness Survey” Results**

1. Do you know anyone who has been disabled because of an illness or an accident and has been unable to work for a period of three months or longer?

	<b>Total</b>
<b>TOTAL YES</b>	49%
Yes- I know someone	45%
Yes- Me	5%
No	50%
DON'T KNOW	*
REFUSED	0%

2. How concerned are you about becoming disabled, that is, too sick or injured to work for a period of at least three months or longer during your working career?

	<b>Total</b>
<b>TOTAL CONCERNED</b>	46%
Very Concerned	15%
Somewhat Concerned	31%
<b>TOTAL NOT CONCERNED</b>	54%
Not very Concerned	34%
Not at all Concerned	19%
OTHER	0%
DON'T KNOW	*
REFUSED	*

3. A) What do you think the chances are that the average worker will be disabled and unable to work for a period of three months or longer during their working career because of an illness or accident?

	<b>Total</b>
1 in 3	12%
1 in 5	16%
1 in 10	27%
1 in 25	23%
1 in 50	18%
DON'T KNOW	3%
DEPENDS	*
REFUSED	*

*According to the Social Security Administration, 3 in 10 workers entering the workforce today will become disabled for at least three months before age 67.*

B) What do you think **your** chances are of being disabled and unable to work for a period of three months or longer at some time during your working career because of illness or accident?

	<b>Total</b>
1 in 3	11%
1 in 5	10%
1 in 10	21%
1 in 25	20%
1 in 50	24%
I don't believe I will ever become disabled	8%
It happened to me.	3%
DON'T KNOW	3%
DEPENDS	0%
REFUSED	1%

4. How many workers do you think can expect to be disabled and out of work for at least five years or longer because of an illness or accident during their working years?

	<b>Total</b>
1 in 7	12%
1 in 15	16%
1 in 25	21%
1 in 50	21%
more than 1 in 50	25%
DON'T KNOW	5%
DEPENDS	*
REFUSED	*

*According to American Health Insurance Plans, one in seven workers will experience a disability lasting at least five years.*

5. Over the past five years do you think the likelihood of a worker being disabled and unable to work for a period of three months or more because of an illness or accident has:

	<b>Total</b>
<b>INCREASE</b>	44%
increased slightly	28%
increased significantly	16%
<b>STAYED ABOUT THE SAME</b>	37%
<b>DECREASE</b>	19%
decreased slightly	15%
decreased significantly	4%

*According to the Social Security Administration, the rate of workers becoming disabled has increased 26 percent over the past five years.*

6. Which ONE of the following do you think is the leading cause of long-term disabilities?

	<b>Total</b>
Diseases like cancer, emphysema and diabetes	25%
Back, muscle, or joint problems	22%
Heart attacks and strokes	14%
Accidents and injuries on the job	13%
Accidents and injuries off the job	13%
Emotional stress, psychological problems	10%
DON'T KNOW	3%
OTHER	*
REFUSED	*

*According to the CDA 2006 Long-term Disability Claims Review, back, muscle and joint problems are the leading causes of long-term disability.*

7. If you were disabled and too sick or injured to work, how confident are you that you would be able to pay your normal living expenses such as rent or mortgage, food, transportation, and medical expenses if your salary or wages stopped for a period of three months?

	<b>Total</b>
<b>CONFIDENT</b>	69%
Very confident	38%
Somewhat confident	31%
<b>NOT CONFIDENT</b>	31%
Not too confident	13%
Not at all confident	18%
DON'T KNOW	*
REFUSED	0%

8. If you were disabled and too sick or too injured to work, how confident are you that you would be able to pay your regular living expenses such as rent or mortgage, food, transportation, and medical expenses if your salary or wages stopped for six months or longer?

	<b>Total</b>
<b>CONFIDENT</b>	60%
Very confident	32%
Somewhat confident	28%
<b>NOT CONFIDENT</b>	39%
Not too confident	16%
Not at all confident	23%
DON'T KNOW	*
REFUSED	0%

9. If your salary or wages stopped for a period of 6 months or longer because you were disabled and too sick or injured to work, how would you continue to pay for your living expenses such as rent or mortgage, food, transportation and medical expenses?

	<b>Total</b>
Disability insurance	36%
Personal savings and investments	33%
Spouse/family member salary	29%
Salary or sick pay from employer	19%
Help from friends / family	19%
Withdraw money from my 401K/Retirement savings plan	16%
Worker's compensation	15%
Social Security	11%
Take out a home equity loan	8%
Take out a loan/borrow money	8%
Use credit cards	6%
Other	5%
DON'T KNOW	7%
REFUSED	1%

10. Now, thinking about saving for retirement...  
Are you currently participating in a 401k or IRA plan? (IF NO, SKIP TO Q11)

	<b>Total</b>
Yes	73%
No	27%

- If yes: If you were to become sick or injured and unable to earn an income what would happen to contributions to your 401k and or IRA plan?

	<b>Total</b>
All contributions, mine and my employer's, would stop	36%
Haven't thought about it	30%
Nothing - all contributions would continue	12%
My employer contributions would continue but my contributions would most likely stop or be reduced	11%
My contributions would continue but my employer's contributions would stop	5%
DON'T KNOW	5%
REFUSED	1%

11. Finally, I'd like to ask you a few questions about planning for a possible disability. Have you or anyone in your household discussed how you would deal with the financial consequences of an injury or illness that would keep you from working for three months or longer?

	<b>Total</b>
<b>TOTAL YES</b>	43%
Yes, I have (GO TO Q.12)	38%
Yes, someone in my family has (GO TO Q.12)	5%
No (SKIP TO Q.13)	57%
DON'T KNOW (SKIP TO Q.13)	*
REFUSED (SKIP TO Q.13)	0%

12. How confident are you that the plan you discussed will allow you to maintain your current lifestyle for as long as you might be disabled?

	<b>Total</b>
<b>TOTAL CONFIDENT</b>	<b>83%</b>
Very confident (SKIP TO Q.14)	28%
Confident (SKIP TO Q.14)	23%
<b>Somewhat confident (SKIP TO Q.14)</b>	<b>32%</b>
<b>TOTAL NOT CONFIDENT</b>	<b>13%</b>
Not very confident (SKIP TO Q.14)	8%
Not confident at all (SKIP TO Q.14)	5%
Not sure (SKIP TO Q.14)	5%

13. Which of the following reasons best describe why you haven't discussed a plan to prepare for the potential financial impact of a long term disability?

	<b>Total</b>
Haven't really thought about it	38%
Another person in my household works and we can live off of this income	26%
I think I'm covered at work	19%
I don't believe I'm going to become disabled – I'm healthy.	18%
I have enough savings to cover my expenses	13%
If I do get disabled chances are it will not last long	10%
No one has ever told me about this	5%
I think a government program will cover me	5%
OTHER	6%
DON'T KNOW	2%
REFUSED	*

14. Which ONE of the following would most motivate you to discuss a plan to prepare for the potential financial impact of a long term illness or accident?

	<b>Total</b>
Concern from a spouse, partner or family member	23%
Knowing someone who became disabled	19%
Advice from my financial planner or advisor	16%
A significant life event like a marriage, birth of a child, or death	15%
Information from my employer	13%
Learning more about disability in the news	5%
DON'T KNOW	6%
OTHER	3%
REFUSED	1%