Watch Your Weight and Your Wallet

Don't Let Disability Sideline Your Financial Health in 2008

Homeowners with subprime mortgages won't be the only ones facing foreclosure in 2008. Each year, 50 percent of all mortgage foreclosures are the result of the financial toll exacted by disability, according to the medical journal *Health Affairs*.

In fact, loss of income due to disability causes 350,000 personal bankruptcies every year, the journal reports. And three in 10 workers entering the workforce can expect to become seriously disabled during their lifetimes; one in seven will be disabled for five or more years, according to the Social Security Administration.

"Clearly, getting financially fit by preparing for disability should be high on the New Year's resolution list of every working American," says Robert Taylor, president of the nonprofit Council for Disability Awareness (CDA). "Not being able to work because of an illness or accident can be incredibly costly and personally devastating. Planning for disability is an essential, but often overlooked, part of the financial planning process."

Under the best of circumstances, disability can place a financial hardship on families. But many American families are more financially at risk than ever, with 44 percent spending more than they earn, according to the Federal Reserve, and average credit card debt approaching $10,000, as reported by *Parade Magazine*.

"Disability does not have to equal financial disaster," Taylor says. The CDA offers the following tips for getting financially fit – and preparing for disability – in 2008:

1. **Make a list of your essential monthly living expenses**. These include costs like rent or mortgage payments, utilities, food and medical insurance that would continue if you lost your income. Eliminate extras that you could live without if you had to, such as entertainment and vacations. This list of essentials will give you an idea of how much money you absolutely must have each month in order to make ends meet.
2. **Get familiar with your employer's sick pay and/or long-term disability policies.** Can you count on your employer to continue at least some of your income while you are disabled? Many do not. Knowing in advance what, if anything, you can expect from your employer and how long you can expect to receive it, can help you determine how much income you'll have to replace in the event of disability.

3. **Identify other sources of income that might help you cover expenses during a disability.** Can your spouse work to replace some of your lost income? How long would your savings cover those expenses if you had no income? Would you want to tap into your retirement savings? Could a second mortgage or support from family members and friends be an option?

4. **The average length of disability is 30 months.** If your income during disability and savings wouldn't carry you for at least that long, you'll need to increase your savings or line up other sources of income.

The road to financial fitness begins with thinking ahead and good planning. You need to plan for disability just as you plan for an unexpected major medical expense or save for retirement. With good planning, the financial impact of disability can be much more manageable.

Taylor's organization, the Council for Disability Awareness, is a nonprofit group focused on helping the American workforce become aware of the growing likelihood of disability and its financial consequences. The Council's Web site, www.disabilitycanhappen.org, offers tools and tips to financially prepare for disability and how to help prevent disability before it happens.