

Taylor Casts Disability as ‘Lifestyle Protection’



Disability is a growing threat for the American workforce, and the financial consequences can be severe. But the number of individuals aware of this risk is alarmingly small, according to Robert Taylor, executive director of The Council for Disability Awareness.

Taylor led a discussion on the financial impact of disability during the Employee Benefits Leadership Forum at The Greenbrier. He urged the benefits consultants and carrier representatives attending the session to elevate and expand the discussion of disability in the workplace to provide more financial security for workers.

Increasing numbers of families are unprepared for disability, Taylor said, because they do not understand how frequently it can occur and how extensive its impact on family finances. For example, he said, workers don't understand how disability can affect their retirement and medical benefits and think disability is something that happens only to older people.

In fact, if income stops, Taylor said, so does an employer's 401k contributions and employer-paid health insurance premiums. Meanwhile, the average age for individuals receiving disability benefits is dropping and is now down to 51. In fact, he said, the odds of a 35-year-old worker suffering a disability are one in three.

Taylor said in 2006, there were 502,000 disability claims being paid, up 4.2 percent since 2005, with \$7.2 billion in payments. In that year alone, 140,000 new people applied for long term disability claims, he said.

One of the major reason claims are up and the age of the claimant is down is obesity. "We are disabling ourselves," he said.

Considering that two of every three families are living paycheck-to-paycheck and more than 40 percent of workers today have less than \$10,000 in savings, the consequences of losing that paycheck can be harsh. For example, he said, more than half of all mortgage foreclosures are due to disability.

Still, more than 70 percent of working Americans do not have disability insurance. He said the reason is because the focus in most employee benefits discussions is on retirement and medical. Disability is hard to sell and complex to buy, he said, and “employers are absolutely key” to getting the information out to workers.

“It’s all about dialogue and education,” Taylor said.

In a survey of employers, 77 percent said they were not offering long term disability because it was too expensive, and 55 percent said they didn’t believe they needed it, and their employees did not want it.

Although the increasing number of disabled individuals is likely to increase the cost of disability insurance, Taylor said, “I don’t see it exploding” or going up “anywhere near what medical has done.”

He urged the audience to stress the need for inclusion of disability planning in any financial planning discussion. He said the word “disability” can be confusing or off-putting, but the discussion of coverage should be framed as “income protection planning” or “lifestyle protection planning.”

“This problem, this issue, is not going away,” Taylor said.

The Council for Disability Awareness is a coalition of insurance carriers with a goal of expanding public awareness of the growing likelihood of disability occurring among the working population and increasing public knowledge about the financial hardship it can pose for wage earners and their families.

Taylor said the group’s web page, www.disabilitycanhappen.org, offers a free awareness tool for brokers to use. The information can be downloaded, and all of the links are to established information resources, not to any commercial sites.