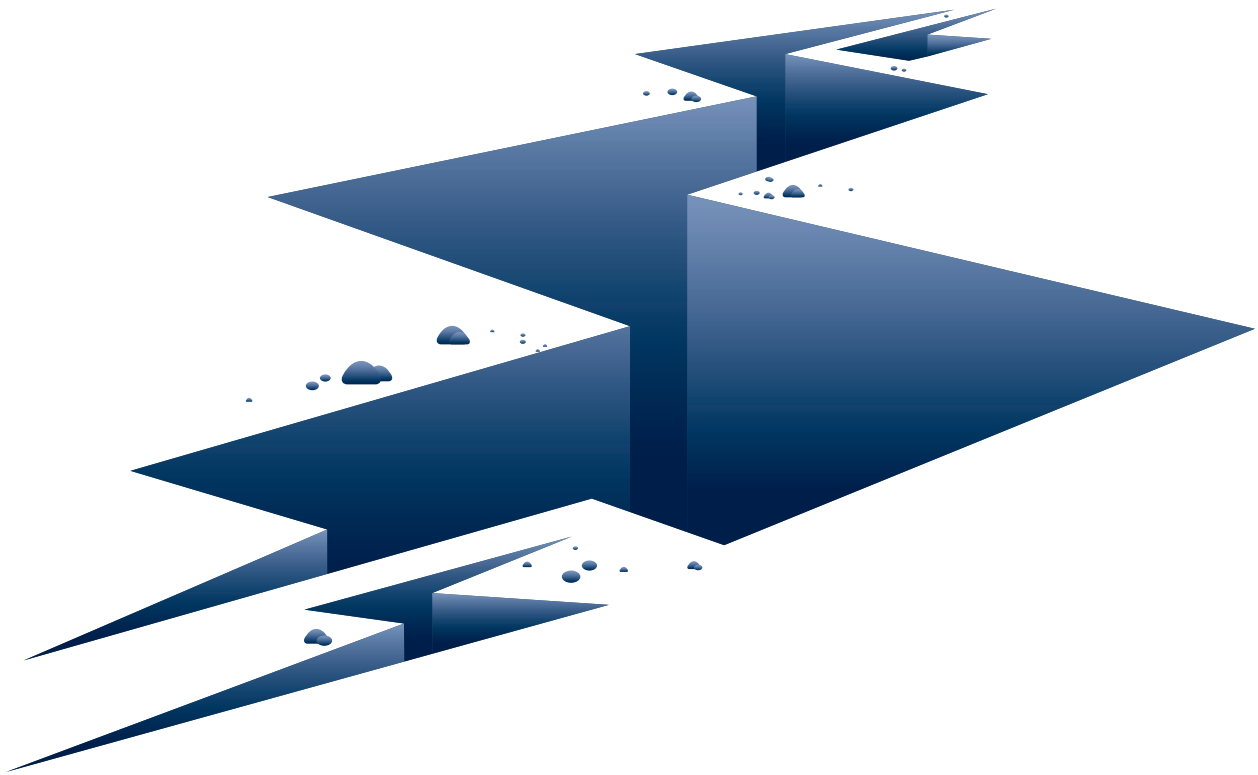


## The Disability Divide:

The gap between what employees believe—and how they act—about the potential for an income-threatening disability.



# THE STATE OF DISABILITY IN AMERICA

Continued economic volatility. Rising home foreclosures. Eroded retirement accounts. Stubbornly high unemployment. All have heightened American workers' sensitivity to the need for a reliable stream of income and financial security. Yet most don't realize a disability could interrupt their income—and fewer still are protected from that loss by adequate savings, private insurance OR government programs. Just consider these recent statistics on disability in America.

**Over 10% of Americans between the ages of 18 and 64**  
have a disability<sup>1</sup>

**8.1 million U.S. workers receive Social Security Disability (SSDI) benefits**  
as of October 2010<sup>2</sup>

**Nearly 90% of disabilities aren't work-related**  
and therefore don't qualify for workers' compensation benefits<sup>3</sup>

**Applications for Social Security Disability Benefits (SSDI) increased 21%**  
from 2008 and are projected to increase in 2010 as well<sup>4</sup>

**Only 35% of initial SSDI applications**  
were approved in 2009<sup>4</sup>

**100 million Americans are not protected**  
by private disability insurance<sup>5</sup>

<sup>1</sup>U.S. Census Bureau, Selected Social Characteristics in the United States: 2009. <sup>2</sup>SSA Beneficiary Data, October, 2010. <sup>3</sup>National Safety Council, Injury Facts, 2008 edition. <sup>4</sup>Social Security Administration, Office of Disability and Income Security Programs. <sup>5</sup>Council for Disability Awareness, Long-Term Disability Claims Review, 2005.

How aware are today’s employees of their chances of facing an income-interrupting disability? And how prepared are they to deal with the financial consequences if they do experience one? Those were just two of the key questions the Council for Disability Awareness (CDA) set out to address in its 2010 Consumer Disability Awareness study.

To answer these important questions, the Council for Disability Awareness (CDA) conducted an online survey with a nationwide panel of wage-earning consumers. These questions were designed to:

- **Understand** workers’ perceptions about disability
- **Identify** actual behaviors related to these perceptions
- **Determine** the level of preparation workers have taken to protect themselves and their families from the risk of suffering a disability
- **Learn** to what extent workers are positioned to deal with an income loss caused by an illness or accident

We hope the insights gleaned from this research will help employees, employers and financial advisors alike bridge the divide between what employees think and what they do—as well as between what they perceive and what is real. It’s this divide that leaves too many Americans and their financial security at risk from a disability-triggered loss of income.

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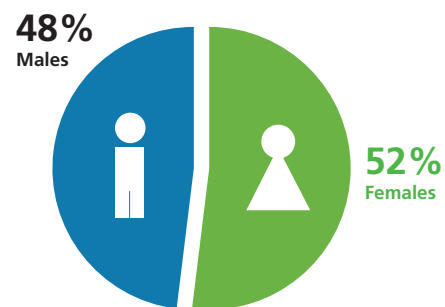
# Overview of survey methodology

This research study conducted in March 2010 analyzed the responses of 1,006 representative employees who met the following four screening criteria:

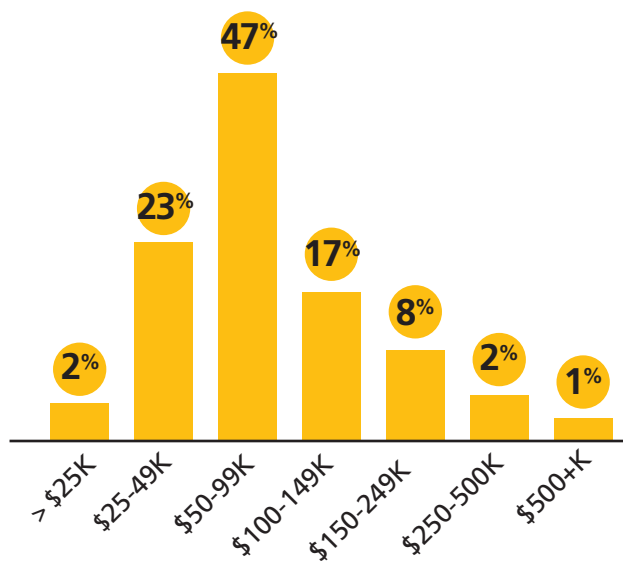
- **U.S. residents**
- **Employed full-time**
- **Between the ages of 18 and 68**
- **Household income of \$30,000 or more**

Participants were part of MarketTools ZoomPanel and each participant received an incentive from MarketTools to participate in the survey. All respondents took the survey between March 23 and March 26, 2010. The CDA 2010 Consumer Disability Awareness Survey was conducted online.

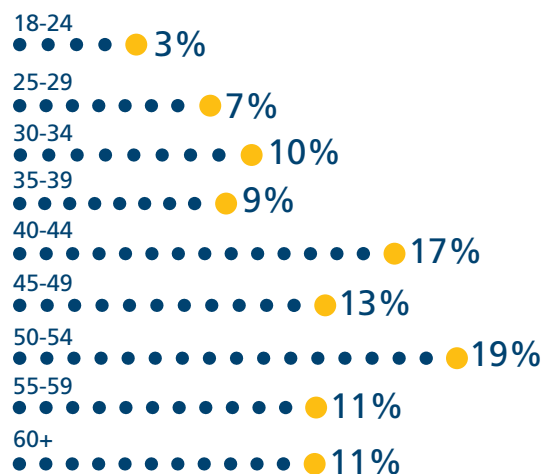
## RESPONDENTS BY GENDER



## RESPONDENTS BY INCOME LEVEL



## RESPONDENTS BY AGE



# Highlights of survey findings

The results of the 2010 Consumer Disability Awareness Survey highlight one key fact: most individuals still underestimate or deny their own chances of becoming disabled. Even more noteworthy, and quite frankly, more troubling, they underprepare for the potentially devastating financial impact on themselves and their families. Here are some other aspects of the great divide this research identified between workers' general perceptions about disability—and their willingness to prepare for what it could mean to them personally.

## **“It’s likely to happen, but not to me.”**

83% said a disability could happen to anyone at any time but deny it will specifically happen to them.

## **“My income is critical, but protecting it isn’t.”**

90% say they value their ability to earn an income, but almost 40% said they haven't thought about how they would protect this all-important financial resource.

## **“I think disabilities tend to last a year or more, but I could only cover my bills for three months or less.”**

Almost 70% of survey respondents said a disability would keep a person out of work for more than one year, but 38% said they could only pay bills for three months or less if they lost their income.

## **“I think most disabilities are caused by accidents.”**

More than 70% say a disability (which prevents them from working) would likely be caused by a serious accident, when more than 90% of disabilities are actually caused by illness.

## **“My chances of becoming disabled are slim.”**

44% say they have about a 1% chance of becoming disabled during their working years. Yet the chances are actually about 30% that workers in their 20s will experience a long-term disability prior to retirement.

## **“If I get sick, my benefits will cover my expenses.”**

42% said their primary source to replace lost wages would be money from sick/vacation leave benefits from their employer. But these benefits are poorly understood and typically last only a matter of weeks.

While it appears that workers generally seem to understand the potential long-lasting impact a disability may cause, many avoid taking actions that could help them personally deal with that impact. This and other key findings about “the disability divide” between employees' perceptions and reality as well as their beliefs and actions are detailed on the following pages.

Employees believe that others can become disabled at anytime.

Employees deny that disabilities are likely to happen to them.

83% of respondents think that a disability could happen to "anyone at any time."

- Only 5% of the survey's respondents said it happens infrequently.
- Probably because most respondents viewed disability as "accidental," only 6% think that they can do anything to avoid it, such as living a healthy lifestyle.

A significant number of respondents consider themselves less vulnerable to a disability than the population at large.

This may indicate an inability, even an unwillingness, for most people to view their present health (which they tend to rate as "good") as something that is susceptible to change. In short, they're "in denial."

What's also interesting is that women rank the average American's likelihood of becoming disabled higher than men did. Yet women rank their own odds of becoming disabled lower than men do. So on average, women think men are more likely to become disabled when in reality, at most ages, women are more likely to suffer from one.

**RESEARCH FINDINGS:**

% of respondents who selected each of the following statements as reflective of their own beliefs about disability

83%

"It can happen to anyone at any time."

6

"Most disabilities can be avoided through healthy lifestyles."

5

"It happens infrequently."

3

"Disabilities are usually the result of someone being careless."

2

Other

1

"Most people who become disabled have inherited certain traits that cause them to be that way."

Employees estimate only 1% will become disabled before retirement.

Actuaries project the odds of being disabled at least 10 times higher.

Workers significantly underestimate either others' or their own chances of becoming disabled.

- Over half of survey respondents think only one in 100 or one in 50 working Americans are likely to become disabled during their working careers.
- Only 7% of the survey respondents came close to predicting their chances accurately.
- Those who knew someone who had been disabled were much more likely to think there was a higher chance they'd become disabled. In fact 27% of this group thought their own odds were at least 1 in 10.

The Social Security Administration estimates that 3 out of 10 Americans entering the workforce today will become disabled before they retire.

This statistic is supported by the Council for Disability Awareness Personal Disability Quotient (PDQ) calculator as well as publicly available actuarial tables. See [www.whatsmypdq.org](http://www.whatsmypdq.org) for details.

The PDQ calculates the odds of being disabled for a healthy 35- to 45-year-old male during his working career as about 1 in 6.\*

\*Calculated by the Council for Disability Awareness' "Personal Disability Quotient" (PDQ) for males, 5' 10", 185 pounds, with no tobacco use and about average health.

**RESEARCH FINDINGS:**

respondents' estimate of the chances of becoming disabled

% of respondents who believed these were the odds of becoming disabled for:		odds of becoming disabled
the "average" American	"me"	
31%	44%	1 in 100
23%	20%	1 in 50
23%	14%	1 in 25
14%	10%	1 in 10
5%	5%	1 in 5
4%	7%	1 in 3

**INDUSTRY STATISTIC:**

actual chances that an employee entering the workforce will experience a long-term disability prior to retirement



Employees think most disabilities are caused by injuries.

Studies show most disabilities are caused by illnesses.

71% of respondents believe that disability is most likely caused by serious accidents.

In general, employees tended to see disability as resulting from a more “catastrophic” cause—serious accidents, stroke, cancer, heart disease and paralysis. They tended to overlook more commonplace causes such as muscle or bone pain and chronic disease.

- 45% of employees cited a stroke as a likely cause of disability.
- 43% said cancer was a likely cause.
- 40% said heart disease would cause a potential disability.

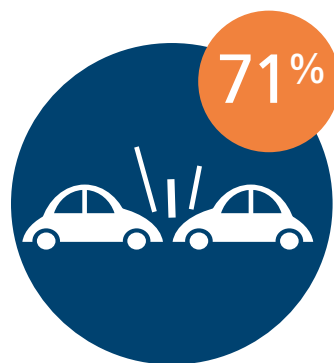
Disability insurance industry statistics report that fewer than one out of 10 long-term claims actually result from injuries.

The CDA 2010 Long-Term Disability Claim Review reports:

- More than one out of four income-interrupting disabilities are triggered by muscle and bone disorders such as back problems, joint pain and muscle pain.
- Cancer is the second leading cause of new disability claims, representing 15% of all claims.
- Cardiovascular/circulatory problems have increased slightly and are now the third leading cause of new and existing disability claims.
- Most disabilities are not work-related, and therefore not covered by workers' compensation.
- Lifestyle choices and personal behavior that lead to obesity are becoming major contributing factors.

#### EMPLOYEE PERCEPTIONS:

% of employees who think disabilities are very or somewhat likely to be caused by a serious accident



**Serious accident**

#### INDUSTRY STATISTICS:

% of long-term disabilities that were actually caused by injuries and poisoning accidents in 2009



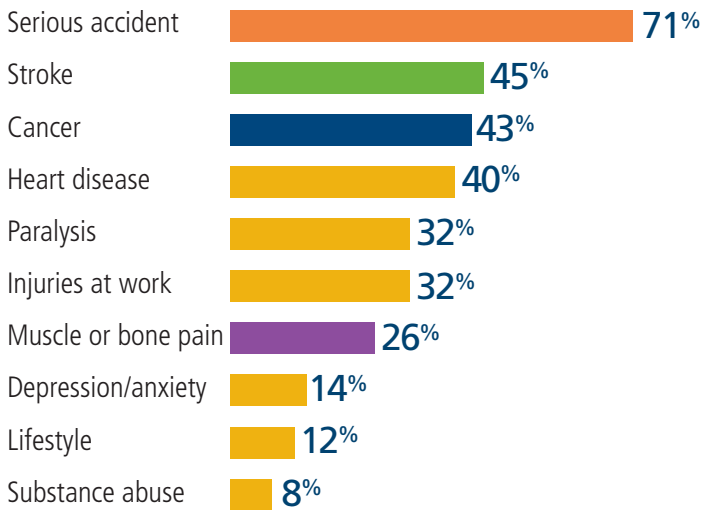
**Injuries**

Source: The CDA 2010 Long-Term Disability Claim Review.



**EMPLOYEE PERCEPTIONS:**

% of employees who rated each cause for disability as “very” or “somewhat likely”



**Attitudinal differences by gender**

Men and women have a somewhat different view of what would cause disability.

In general, women think their own chances of becoming disabled are lower in six out of 10 categories than their male counterparts. Even so, they estimated their own chances of becoming disabled higher than men in four categories:

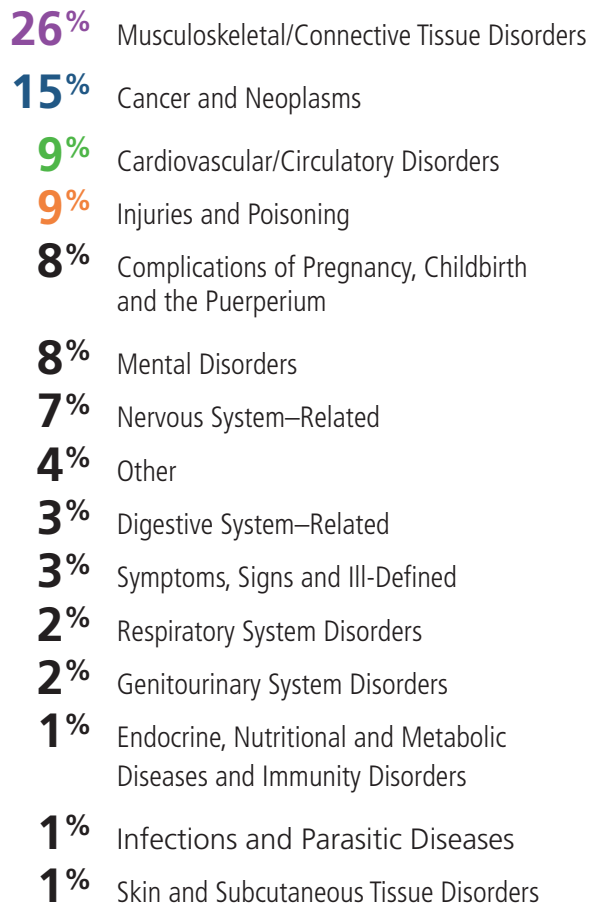
- serious accident
- cancer
- muscle or bone pain
- depression/anxiety

**Attitudinal difference by income**

While few employees named lifestyle and substance abuse as likely causes of disability, it’s interesting to note that both were cited more often by respondents who earn \$250,000 or more per year.

**INDUSTRY STATISTICS:**

% of new long-term disability claims caused by each of the following



“New” claims are those approved in the survey year.  
Source: The 2010 CDA Long-Term Disability Claim Review.

# Employees do believe a disability would interrupt their income.

# Employees don't have the resources to replace that income.

More than half of the survey respondents equated disability with the inability to work for a living.

- 57%, or more than half, of the workers surveyed said that to be disabled would mean they would be unable to work.
- 30% had the most negative view of disability as being "incapable of functioning."
- While only a few believed that a disability would mean the "end of life worth living," almost all had a catastrophic view of disability.

More than half said they'd only be able to pay their bills for a year or less if their income stopped.

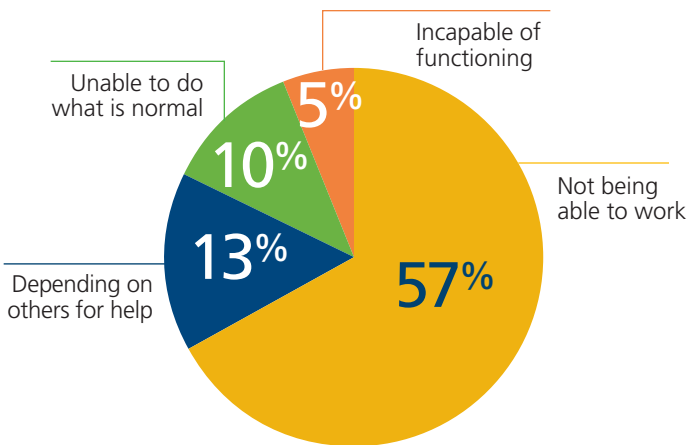
For most, an income-limiting disability would most likely result in the rapid depletion of their resources. In fact, 65% said that they would only be able to pay bills for less than a year if their income stopped. And when asked where income would come from to pay bills, many responses seemed vague and dubious.

Other findings support how unprepared most Americans are to deal with an interruption in income.

- Many U.S. families spend more than they earn.<sup>1</sup>
- Only 40% of adult Americans have savings ear-marked for emergencies.<sup>2</sup>
- 71% of American employees live from paycheck to paycheck,<sup>3</sup> without enough savings to cushion the financial blow of a disability.

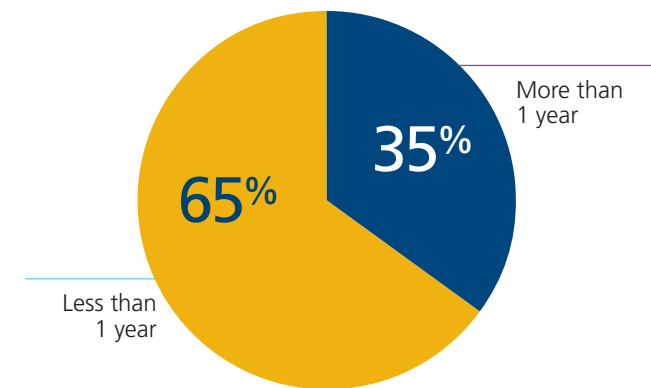
## EMPLOYEE PERCEPTIONS:

% of people who define disability as each of the following



## EMPLOYEE REALITIES:

% of respondents who could continue to pay bills with no income



<sup>1</sup>Federal Reserve Board, Survey of Consumer Finances, 2004.

<sup>2</sup>Consumer Federation of America, national survey by Opinion Research Corp., Feb. 2007.

<sup>3</sup>American Payroll Association, "Getting Paid in America" Survey, 2008.

## Employees think most disabilities will last a long time.

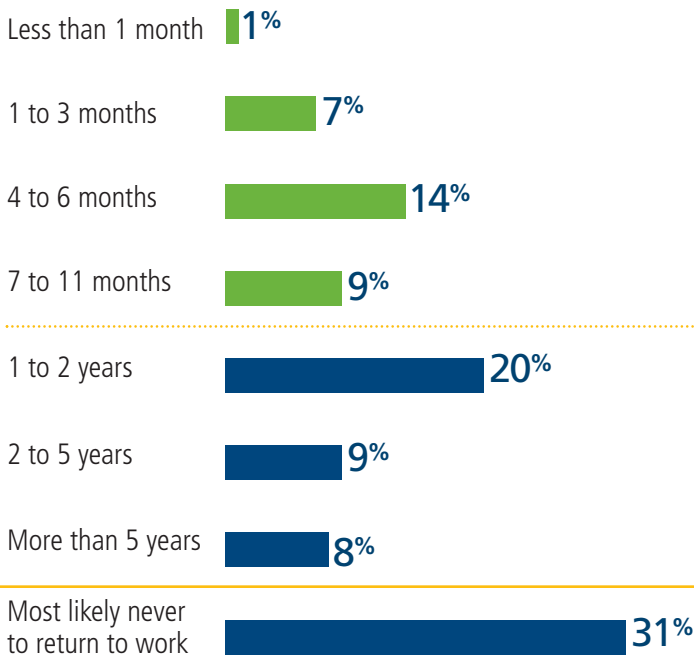
## Studies show most don't have long-term disability protection.

Nearly 70% of respondents think a disability would keep a person out of work for more than one year.

Workers surveyed believe that if a person becomes disabled, he/she will be out of work for a lengthy period of time. In fact, more than two-thirds of respondents thought that a disability would put a person out of work for a year or more. And almost one-third said that person would *never* return to work.

### EMPLOYEE PERCEPTIONS:

% of respondents who believed that a disability typically lasts the following lengths of time



70% of employees in the private sector are not covered by any type of private long-term disability insurance.<sup>1</sup>

In fact, even when offered as a voluntary benefit by their employers, almost 40% of workers don't choose long-term disability insurance.<sup>2</sup> And barely 30% claim to understand it very well.<sup>2</sup>

Even the likelihood of receiving government benefits from the Social Security Disability Insurance program (SSDI), which could cover a person after a severe disability that is expected to last a year or more or result in death, is dwindling. Although most private sector employees are covered by SSDI, benefits are limited.

- The average monthly SSDI benefit amount in 2009 was \$1,064, with 56% of recipients receiving less than \$1,000 per month.<sup>3</sup>
- It is very difficult to qualify for SSDI benefits. 65% of initial benefit applications were denied in 2009,<sup>3</sup> and the appeals process can last up to four years.
- SSDI approval rates have steadily declined in recent years.<sup>4</sup>

<sup>1</sup>Social Security Administration, Fact Sheet, Jan. 31, 2007.

<sup>2</sup>CDA 2008 Worker Disability Planning and Preparedness Study.

<sup>3</sup>Social Security Administration, Disabled Worker Beneficiary Statistics, ssa.gov.

<sup>4</sup>The 2010 CDA Long-Term Disability Claims Survey.

68% estimated more than one year

Nearly 1 out of 3 estimated that a disability would prevent someone from ever working again

## Employees do think their ability to earn an income is valuable.

## Employees don't think about taking steps to protect that income.

90% of respondents rated their ability to earn an income as "valuable" or "very valuable."

Clearly, workers highly value their ability to earn an income. In fact, almost all respondents rated this ability as more valuable than other financial resources which help them achieve financial security, including retirement savings, personal possessions, homes and medical insurance.

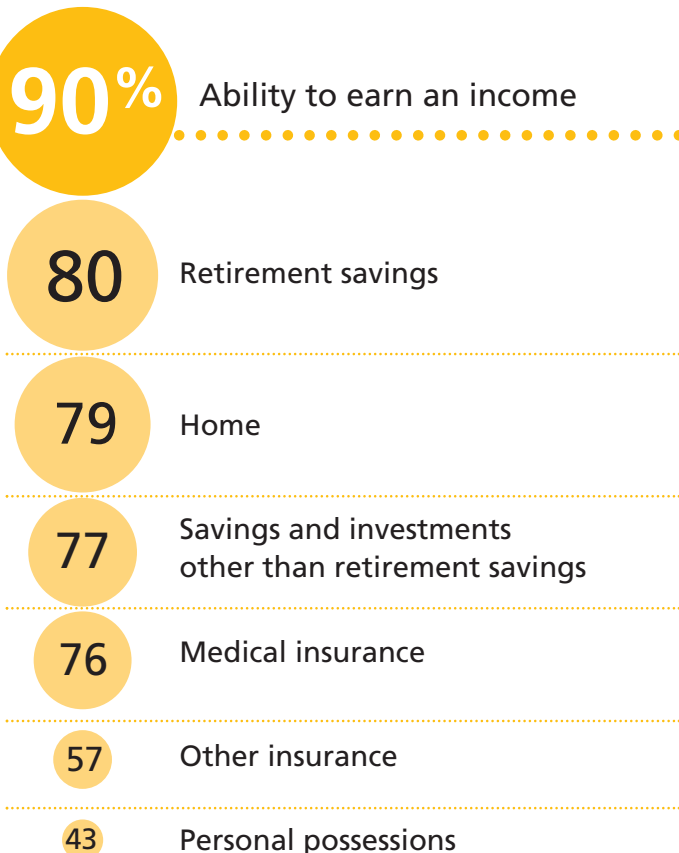
While nearly all employees say their ability to earn an income is important, fewer than 40% have thought about protecting it.

When asked about how they've prepared for a potential disability, survey respondents generally admitted that they've not taken much action to prepare.

- The most common answer, given by 37% of the respondents, was "I've never really thought about it."
- Only 22% said they don't think about it because they have disability insurance.

### WHAT EMPLOYEES VALUE:

financial resources rated valuable by respondents



### HOW EMPLOYEES ACT:

% of respondents who are prepared for a disability



## Employees think they're covered for income loss by some other source.

## Employees don't realize they can't count on outside sources of income.

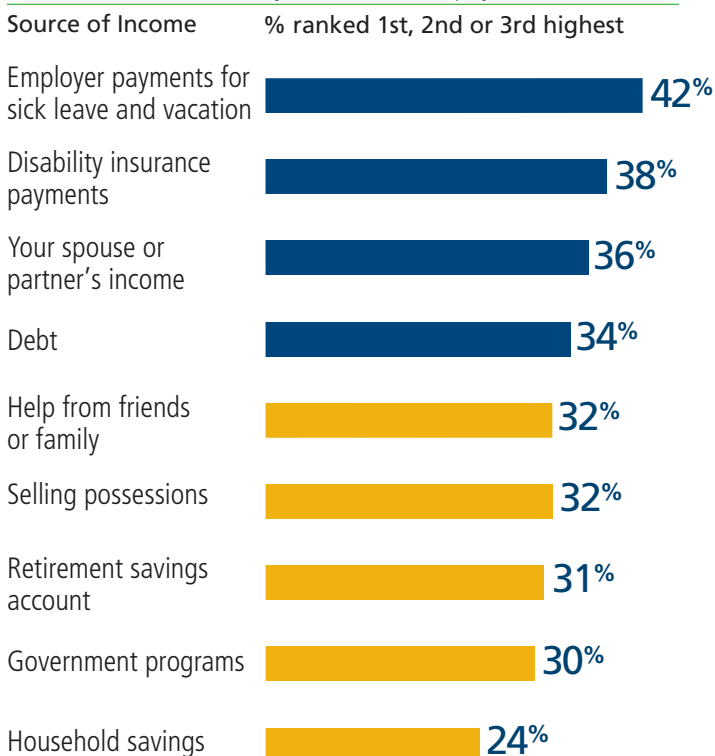
When asked what source they'd likely tap in the event they became disabled and couldn't work, 40% of employees said they would rely on employer-funded sick/vacation leave.

Other perceived top sources of income included disability insurance payments, and a spouse's or partner's income and debt. But most responses seemed "off the cuff" and many of the sources cited are probably not sufficient to cover living expenses.

What's also interesting to note is that Gen Y respondents were more likely than other groups to consider tapping into their retirement savings—not likely to be a significant asset at this stage in their careers.

### EMPLOYEE REACTIONS:

Where would the money come from to pay bills?



Sick leave and vacation are typically short-term solutions that run out in a matter of weeks.

Other top answers employees gave also seem to reveal a lack of understanding about what income sources could actually pay the bills in the event they became disabled.

- **36%** cited a partner's income as a source of income. But if two incomes are needed to meet expenses, simply relying on just one most likely wouldn't be enough, at least for a time. In addition, many spouses take on a caregiver role and work less when the other becomes disabled.
- **34%** said they would take on more debt. But there's little chance of qualifying for a loan when someone is disabled and unable to earn an income to pay the money back. While credit card debt was also cited as an option, it is notoriously expensive, and would be difficult to pay off because, again, there would be no income to make required payments.

## CONCLUSION

The findings highlighted in this report suggest that consumers like you need to become better educated on how likely it is that an illness or injury could force you out of work, and to get better prepared for what you can do to mitigate this loss. Consider these steps to help understand the devastating consequences of a disability—and enhance your financial preparedness.

### **Learn more about disability.**

Consumers need more of an education to: 1) correct the many misconceptions surrounding disability; and 2) learn about what you can do to lower the risk of its financial impact. An enlightening and easy-to-use online tool called the Personal Disability Quotient available from the CDA at [www.whatsmypdq.org](http://www.whatsmypdq.org) can help raise your awareness.

### **Know your benefits.**

Our findings showed that the workers in this survey have a poor understanding of their benefit programs and incorrectly think vacation/disability paid leaves will get them through an extended period of no income. Spend time reviewing what disability benefits you already have through your employer, how each one works and the maximum benefit you're entitled to receive from each one. Determine your sources of post-disability income, and whether they will be sufficient to meet your financial obligations in the event that a disability forces you to stop working for a time.

### **Take action.**

Although the survey showed that workers claim “disability can happen to anyone at any time,” they haven't taken any steps to prepare themselves financially. Make sure you take charge of your own health—both physical and financial.

### **Talk to an expert.**

This study showed that overall knowledge for disability planning among workers is not sufficient. And judging by how few have taken action, it doesn't appear to be very highly valued either. Partner with financial experts, human resource professionals at work and other trusted advisors who can help you design, implement and communicate appropriate solutions to protect your income—and financial security.

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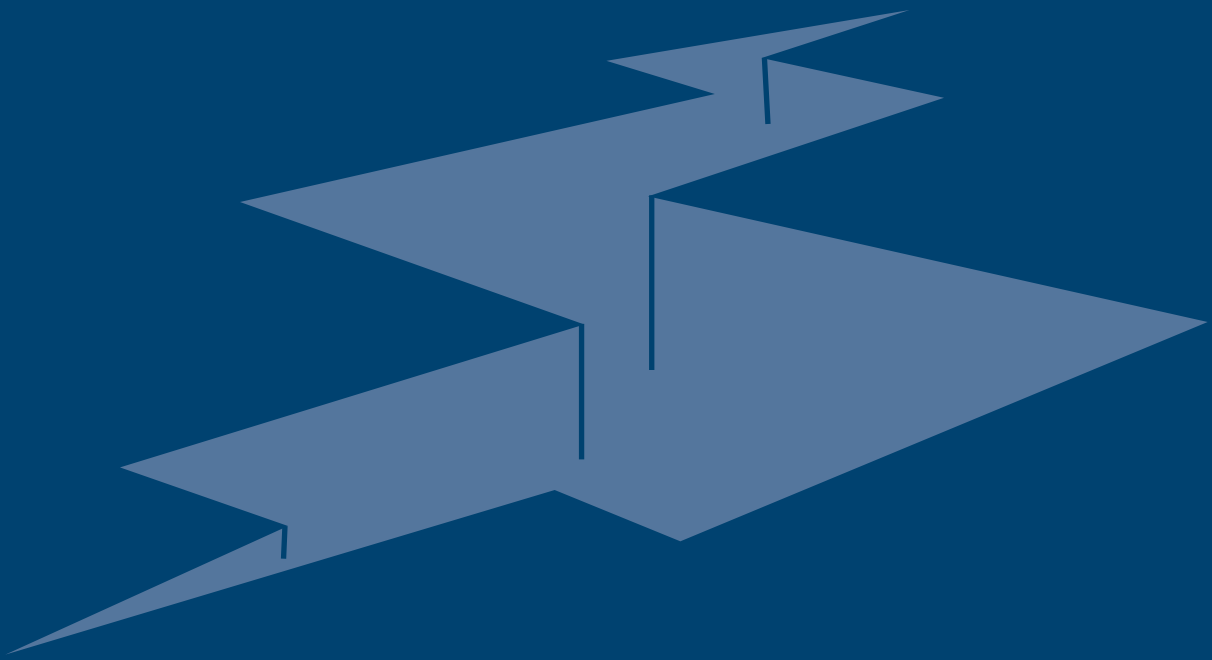
### **Resources**

[www.whatsmypdq.org](http://www.whatsmypdq.org)

[www.disabilitycanhappen.org](http://www.disabilitycanhappen.org)

email: [feedback@disabilitycouncil.org](mailto:feedback@disabilitycouncil.org)

phone: 207-774-2634



[www.disabilitycanhappen.org](http://www.disabilitycanhappen.org)

