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How to avoid disability insurance shock

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If you have worked for the same employer for several years and had regular pay increases, your long term disability benefits may not be enough to protect your family if you become disabled.

Let's assume that when you were hired, the benefits summary said you were covered for two-thirds of your salary after sick days and short term disability benefits are used up. But the plan also said that monthly LTD benefits are capped at some amount, let's say \$5,000 a month.

So if you started off earning \$90,000 a year, the maximum coverage under your workplace policy was reasonable (\$5,000 x 12 months, or \$60,000.) But if you have doubled your salary over the last ten years and your families spending has escalated, your coverage may no longer be adequate.

Caring for Clients financial planner Rona Birenbaum says she has recently seen several policies with a "staggered" approach that even company owners didn't fully understand. "While coverage of two-thirds of salary was available up to \$3,000 a month, in order to be eligible for a up to a full \$5,000 per month, employees earning over \$54,000 had to provide medical evidence of insurability."

Unfortunately, you cannot depend on either your employer or your insurance company to advise you once you reach the threshold where a medical exam is required. And by the time you need to claim on the policy, it is too late.

In fact, in these circumstances you should have the necessary medical examination to qualify for the additional LTD coverage as soon as possible in case you develop an illness that will affect your eligibility for coverage before you get around to it. Your company HR director can provide you with the forms to apply for the additional coverage.

You may think the odds of ever having to collect LTD are slim, but data on the Sun Life website reveals that one out of every two 35-year olds will become disabled for more than three months before age 65.

If your salary has increased to a level where you believe the LTD coverage offered in your group benefits plan is clearly insufficient, you should investigate purchasing additional coverage under the group plan if it is available or adding additional individual coverage.

Whether or not you choose to increase your LTD coverage, by fully understanding the limitations of your employer's program, you can avoid nasty surprises at a later date.

Also see: [What's the best way for me to replace my income?](#) and [What are five ways I can keep money coming in?](#)