

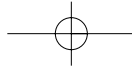


**GUARDIAN®**

**The Short Course in  
Disability Income Insurance**



*It'll only take a  
few minutes of your time...*



## A Few Minutes About the Rest of Your Life...

Life isn't just about making it. At some point, it's about keeping it—everything you worked so hard to build. Since you're reading this guide, chances are you're pretty well established in a successful career with a substantial income, and you're wondering how to protect what you've built against a long-term disability.

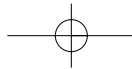
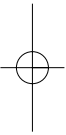
**This guide will provide  
some quick answers to some  
of those questions:**

*Disability? Am I really vulnerable?*

*How can it affect me and my income?*

*Who does it strike—and how often?*

*How can I protect myself against it?*





## It's only income... *or is it?*

Income protection is important because income is important, and the higher the income, the greater its significance to your standard of living, your financial goals and your retirement savings. Look at it this way: If your income is in the upper brackets, then its value is probably reflected in the car you drive and the home where you park it each night.

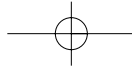
Do you insure these and other assets against unforeseen risks? Naturally.

Is there a comparable risk that a long-term disability will interrupt your income before you reach age 65? Absolutely.

You wouldn't underinsure your most valuable assets, so it doesn't make sense to underinsure something as essential as your income—particularly if you are a highly paid professional.

If that category applies to you, then the best income protection available is individual disability income insurance, or DI.

This guide can help you make an informed decision about whether you need individual DI and, if so, which features are most important.



## Myth vs. Reality

Two of the biggest myths about disability are that it doesn't happen to younger people and that it's largely the result of a work-related accident. The reality is, your odds of encountering a long-term disability—one lasting 90 days or more—before age 65 are:

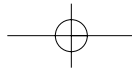
Your Age	Your Approximate Odds	Average Duration
30	1 in 3	32 months
40	3 in 10	42 months
50	5 in 22	50 months
60	1 in 10	54 months

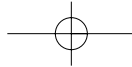
*Note: Statistics reflect those for men; chances are actually higher for women.*



If you have considered life insurance, then you already recognize the importance of buying financial protection for your family *before* you need it. But at age 35, for example, if you are a man you are 4.1 times more likely to be disabled before age 65 than you are to die. At age 45, the odds are 4.4 to 1.<sup>1</sup>

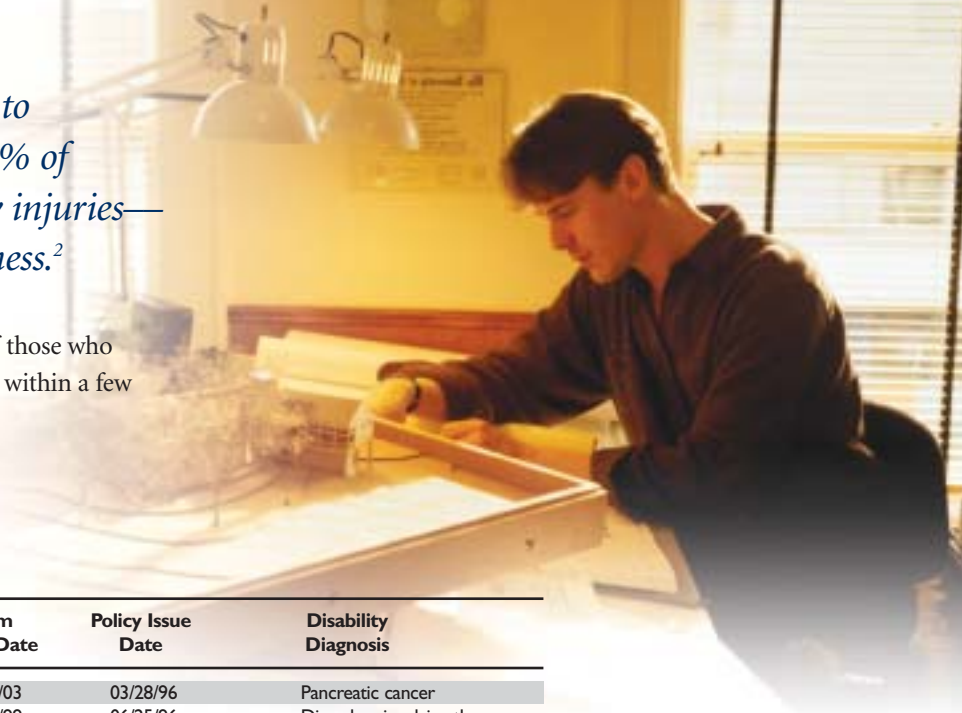
<sup>1</sup> All Statistics from: Commissioner's Disability Table, 1985, and Commissioner's Standard Ordinary Mortality Table, 1980. Statistics will vary depending on the applicant's gender, age, occupation and medical history.





*It may also surprise you to learn that fewer than 14% of disabilities are caused by injuries—most are the result of illness.<sup>2</sup>*

And, as the chart shows, many of those who receive benefits suffered a disability within a few years of purchasing their policies.

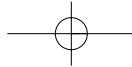


**RECENTLY PAID CLAIMS**

Occupation	Claim Onset Age	Claim Onset Date	Policy Issue Date	Disability Diagnosis
Accountant	58	02/03/03	03/28/96	Pancreatic cancer
Anesthesiologist	60	02/09/99	06/25/96	Disorders involving the immune mechanism
Attorney at Law	40	01/08/04	09/24/97	Pregnancy
Attorney at Law	50	05/12/01	10/05/98	Acute myocardial infarction
Dental Hygienist	38	06/01/01	11/18/98	Herniated disc
Dentist	50	09/24/03	07/22/97	Fracture of clavicle
Engineer	45	08/05/03	10/14/99	Lumbar intervertebral disk without myelopathy
Executive	52	07/06/01	04/22/97	Irritable colon
Executive	42	03/18/02	10/15/97	Senile and presenile organic psychotic conditions
Manager	53	04/02/99	02/04/98	Polymyalgia rheumatica
Nurse	51	08/06/01	03/03/98	Labral degeneration
Obstetrics	62	01/31/03	02/16/00	Low back pain/strain
Physician	56	04/19/02	08/23/00	Monocytic leukemia
Sales	39	05/06/03	07/15/99	Multiple injuries
Sales	39	02/11/03	11/01/99	Diffuse diseases of connective tissue
Veterinarian	33	08/02/03	02/28/00	Traumatic brain injury

*Some representative claims paid by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY. Elimination periods vary. All claimants still disabled as of 4/29/04.*

<sup>2</sup>Disability Statistics Abstract Number 16 (September 1996). Published by the Disability Statistics Rehabilitation Research and Training Center, University of California, San Francisco, and the National Institute on Disability and Rehabilitation Research (U.S. Department of Education).



## Are There Other Alternatives to Individual DI?

Disability happens and, for the most highly paid, it can cost millions in lost income and added expenses. There are alternatives to individual DI, such as dipping into your savings, applying for Social Security benefits or participating in a group long-term disability plan from your employer or a professional association. But consider these points:

**Personal Savings:** Disability can be just as devastating to your family's finances as a death: If you saved five percent of your income each year, a six-month disability could wipe out ten years of savings. Worse, as illustrated earlier, most disabilities that last 90 days are likely to last on the order of years.

- Individual DI not only protects your income, it protects your savings and your plans for them.

**Social Security** disability coverage is far from guaranteed<sup>3</sup>: Nearly 69% of all applicants are denied benefits when they make their initial claims. In fact, you don't even qualify unless you have been disabled for five months and are expected to remain disabled for at least another 12—or your disability is likely to end in death. Even then, the maximum benefit payment in 2002 was around \$2,000 a month (exclusive of dependents' benefits) and the average \$821. And any benefits you receive may be subject to federal income tax.

- Individual DI takes a far more liberal view of what constitutes total disability. Plus, the benefits available are more realistically scaled to your actual income, enabling you to replace up to about 60% of lost wages. And assuming you pay your premiums yourself with after-tax dollars, your benefits will be tax-free.

**Group Long-Term Disability Insurance** may be available through your employer or a professional association, and it may cover 50 to 60% of earnings—excluding bonuses and pension contributions—and *minus* any government program benefits you receive. However, premiums for typical company and association plans can be raised and coverage canceled at any time, making them somewhat problematical to rely on. If your employer pays the premiums, then any benefits you receive will be taxable. And if you leave your job you will probably lose the coverage. Finally, if your disability allows you to work at another job outside your own occupation, you may not be considered eligible for benefits.

- Individual DI policies can cover not only base salary, but also bonuses and, with a few insurers, pension contributions. Also, if you pay the premiums yourself, benefits are not subject to taxes. Most individual DI policies come with fixed premiums and non-cancellable coverage. Individual DI is also portable if you change jobs—even if you change careers.

<sup>3</sup> Annual Statistical Report on the Social Security Disability Insurance Program, 2002.



## Questions to Ask When Considering Disability Insurance Coverage

### **When will the insurance company regard me as totally disabled?**

Different insurance companies use different definitions of total disability. The most favorable one is “own-occupation” which means the company will pay benefits if you can’t work at your own specific occupation even if you are working in another capacity.

### **How much do I get paid?**

Up to about 60% of net salary or business income. Most insurance companies place a cap on the maximum benefit they will pay no matter how high your income is.

### **When do benefits start?**

You can decide that when you purchase your policy. Benefits can start after one month or up to two years after you become disabled. (By the way, this waiting period is sometimes called an “elimination period.”)



**How long will benefits last?**

Typically, benefits are payable for two years, five years or to age 65. A very few companies offer the option of lifetime benefits. Again, that's something you determine when you purchase your policy. If you are younger and just beginning



to save for retirement, then you should consider lifetime coverage; if you are older and have substantial retirement savings, you may not need a benefit that extends beyond age 65.

**Can my policy be changed or canceled, or my premiums raised?**

If you pay for something, then you should own it. A good policy cannot be changed or canceled, even if your health or financial situation changes. It should also guarantee that your premiums will remain fixed until age 65, as long as you continue to pay them.

**What if I want to change my coverage?**

Look for policies that allow you to increase coverage to keep pace with the cost of living or increases in your income. Some offer optional riders that allow automatic or optional increases every year. Insurers sometimes add restrictions to benefit increases if applicants have reached a certain age—say 55 or 60. So it's best to ask early.

**What if I change jobs or careers?**

One advantage of owning your own DI insurance is that it's portable. You pay for it, so you own it and you can take it with you if you leave your employer—or if you go into a completely new field or line of work.

**What if I'm only partially disabled?**

A good policy will pay benefits if you can only work part-time and lose income as a result. Look for a policy that does this even if you don't become totally disabled first.

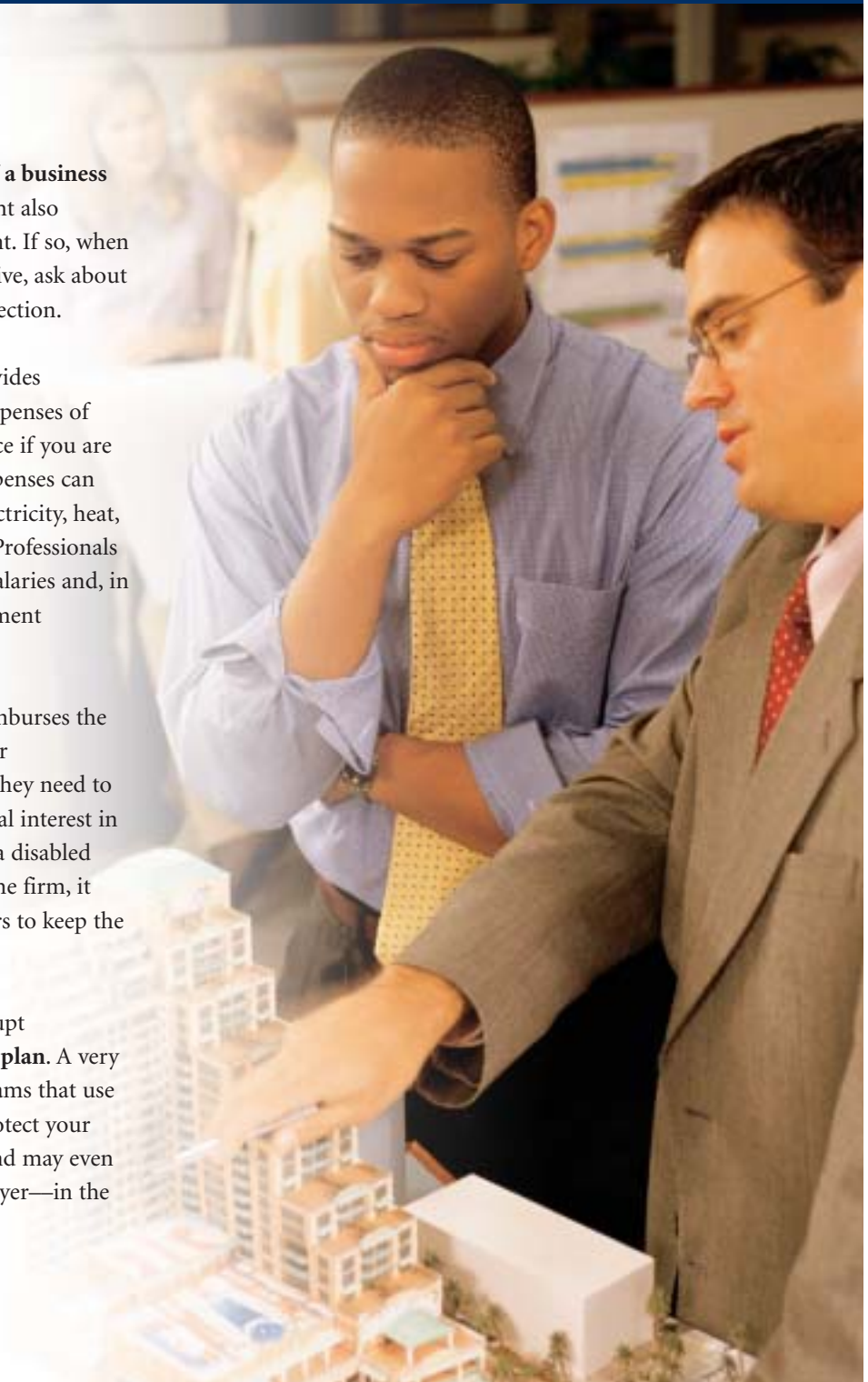


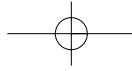
**If you own or share ownership of a business or professional practice**, you might also consider protecting that investment. If so, when you call your financial representative, ask about these other valuable forms of protection.

**Overhead Expense** insurance provides reimbursement for the ongoing expenses of operating your business or practice if you are disabled and can't work. These expenses can include rent on your premises, electricity, heat, telephone, janitorial services, etc. Professionals may also be reimbursed for staff salaries and, in some cases, a portion of a replacement professional's salary.

**Disability Buy-Out** insurance reimburses the owners or partners of a business or professional practice in the event they need to buy out a disabled owner's financial interest in the company. It not only protects a disabled partner's financial investment in the firm, it also enables the remaining partners to keep the business healthy and active.

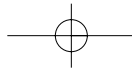
Finally, a disability can also interrupt **contributions to your retirement plan**. A very few companies offer special programs that use individual disability policies to protect your retirement plan contributions—and may even protect those made by your employer—in the event you become disabled.





## You depend on your income—so you need income you can depend on.

We hope the few minutes you've just spent with this guide have helped you appreciate the impact a disability could have on your lifestyle, your business—even your retirement. Now you may want to take few minutes more to speak with your financial representative about how you can cushion your income against that impact. If you don't have one, you can call 1-800-289-1337 to find the Guardian representative nearest you. After all, it's only a few minutes—a small investment in time today that could protect all your tomorrows.





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