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Q: Would employees be wise to consider purchasing supplemental disability income policies if their employer's long-term disability plan does not provide the level and kind of long-term disability benefits they desire?

A: Group long-term disability insurance typically covers around 60 percent of base salary to a monthly maximum benefit of \$5,000 or \$10,000. The actual policy definitions typically are more restrictive than the definitions in an individual disability insurance plan, and if the employees' company is making the premium payments for the employees, then the benefits are taxable during a claim. In many cases, after subtracting taxes, the net benefit might be 45 percent to 50 percent (60 percent minus taxes) of the disabled employees' incomes, with restrictive provisions and definitions. In addition, such insurance plans usually are not portable — the plan does not permit employees to take their disability income coverage to another employer. For many employees this arrangement is not optimal, either in terms of the amount of coverage or in the flexibility of the plan. This is where supplemental disability insurance can help fill the employees' needs.

A supplemental disability insurance policy can increase the percentage replacement of income up from the actual 45 percent to 50 percent (60 percent minus taxes during the claim), can guarantee the ability to have portable disability insurance, and can likely one more comprehensive disability coverage.

Many group long-term disability insurance plans have very restrictive definitions that define when an employee gets paid for a disability claim. Typically the policy defines disability in terms of one's own-occupation for only the first two years in a claim, then it changes to a gainful occupation definition of total disability. Usually, group LTD policies also have a limited partial disability benefit and, generally, do not offer any inflation protection as well.

Insurers offer supplemental disability insurance policies that can have a more comprehensive definition of total disability, a significantly better residual disability rider, and can also help protect against inflation with the addition of an optional Cost of Living Adjustment Rider (for extra premiums).

Remember, people sometimes make a huge mistake thinking that they will always be insurable. This type of insurance is not something that is easy for anyone to get. Without even realizing it, many people may be unable to obtain a supplemental disability insurance policy even now. The insurer will review detailed medical records to make sure applicants do not already have a potential disability. Even people who are perfectly healthy now, have no assurance that they will be healthy a year from now. They could develop back problems, diabetes, a heart condition, or some other condition that prevents them from getting a policy or complete coverage. By purchasing a supplemental disability insurance policy people can guarantee themselves they will always have income protection no matter how much money they earn, what company they work for, or what medical condition they develop in the future.