

## Disability Insurance

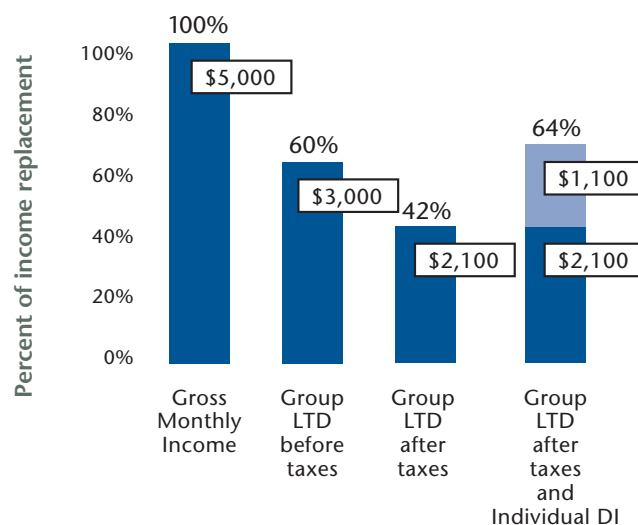
# Can Your Clients Afford a 58% Pay Cut?

A typical group disability insurance policy covers 60% of base income. This provides a good income replacement safety net. Since benefits are usually taxed, however, the remaining after-tax monthly benefit could be as little as 42% of a person's regular base income. This amount could be lower for highly compensated employees if there is a monthly benefit cap, or if incentive pay or bonuses are not covered.

### The solution

A good way to deal with this discrepancy is to wrap Individual Disability Income (DI) insurance around the Group Long-Term Disability (LTD) insurance. This additional coverage can be a voluntary benefit or an additional employer-paid benefit available to all employees or just to a select group of employees. Plus, when three or more lives with a common employer are covered with Individual DI insurance policies, all are eligible for at least a 20% discount on unisex rates.

### Few could live on only 42% of their regular income



Assumptions: Base net income of \$60,000/year; average bonus of \$0/year; total income of \$60,000/year; 20% tax bracket; employer-provided Group LTD is \$5,000 per month and does not cover bonuses. Employer-provided Group LTD covers 60% of gross monthly income.

## Combining disability benefits

### Employer Benefits

- Helps attract and retain employees by expanding the company's benefit offerings
- Enhances their employee benefit package without additional cost since employers can choose whether or not to pay for any of the Individual DI insurance premiums

### Employee Benefits

- Individually-owned, non-cancelable, guaranteed renewable disability policy that is portable
- At least a 20% discount that stays with their policy even if they no longer work at the company

### Your Benefits

- Furthers your relationships with clients as a trusted financial professional
- Multiplies your DI sales opportunities and increases compensation potential

## How to sell it

### Identify prospects

- Owners and employees of small-to-medium sized businesses – with or without Group LTD insurance in place
- 3A or above occupation classes

### Address concerns

- In employer meetings, ask what frustrations they have in providing benefits to employees and what they are trying to accomplish.
- If cost is an issue, discuss the option of providing additional Individual disability coverage for only key employees or discuss how benefits could be paid by the employee.
- Discuss how offering both disability products can help employers attract and retain employees.
- Discuss how a typical Group LTD program replaces 60% of income. Adding Individual DI insurance can help protect a greater portion of an employee's total compensation (including bonus and incentive pay).

### FOR MORE INFORMATION

Contact your Principal Life representative with questions.



WE'LL GIVE YOU AN EDGE<sup>SM</sup>

Principal Life Insurance Company, Des Moines, Iowa 50392-0002, [www.principal.com](http://www.principal.com)

Insurance issued by Principal Life Insurance Company. Principal Life is a member of the Principal Financial Group Des Moines, IA 50392.  
For producer information only. Not for use in sales situations.