

An **Educational** Guide  
for Individuals

# Understanding the value of your income



And how your  
income is protected

Insurance Strategies



We'll help you get there.®



## **Protecting your income is a good decision**

Many people, like you, understand how valuable income is. In its most basic form, income provides money for shelter, food, and clothing. But our income, as we all know, is anything but 'basic.'

Your income isn't just a paycheck. It's usually the primary source of funding for every part of your life. Expressed another way, your income – when viewed over your entire career – is often your single, most important asset.

# Beyond the basics

But beyond the basics, have you considered everything that your income funds? Taking the time now to understand just how valuable your income is, is the essential first step in identifying not only your current needs, but your long term goals.

A simple way to accomplish this is to divide your life into four parts: *Self, Family, Community* and *Career*. In the chart below, begin to identify everything your income funds in each area and, as an upside, simultaneously get a better idea of what is truly important to you.

What does your income fund?			
Self	1	<i>Mortgage/Rent</i>	1 <i>Child/Elder Care</i>
	2		2
	3		3
	4		4
	5		5
	6		6
	7		7
	8		8
	9		9
	10		10
Community	1	<i>Charitable Giving</i>	1 <i>Professional Growth</i>
	2		2
	3		3
	4		4
	5		5
	6		6
	7		7
	8		8
	9		9
	10		10

Family

Career

# How secure is your income?

We put many plans in place to ensure we protect what is most important to us.

Now that you know just how valuable your income is, are the plans you have in place already – specifically the group long term disability insurance coverage you receive through work – adequate enough to protect your most important asset?

## Group Long Term Disability

Group Long Term Disability (GLTD) coverage through your employer replaces a portion of your income should you become too sick or hurt to work.

GLTD coverage is usually included as part of an employee benefits package, and in many instances, the premiums are paid for by the employer. A typical GLTD policy will replace 60% of the insured base salary, up to a *specific maximum benefit limit*, such as \$5,000 per month.

## In addition to monthly ‘caps’ on benefits payable:

- GLTD traditionally only covers *base salary*; bonuses and commissions are often excluded from GLTD benefit calculations.
- GLTD benefits are *subject to income tax* when the premiums are paid for by the employer.

Many of us are unaware of these limitations in a GLTD plan. The monthly caps, exclusion of bonus or commission income, and taxable disability benefits can make the actual GLTD benefits available much lower than you might realize.

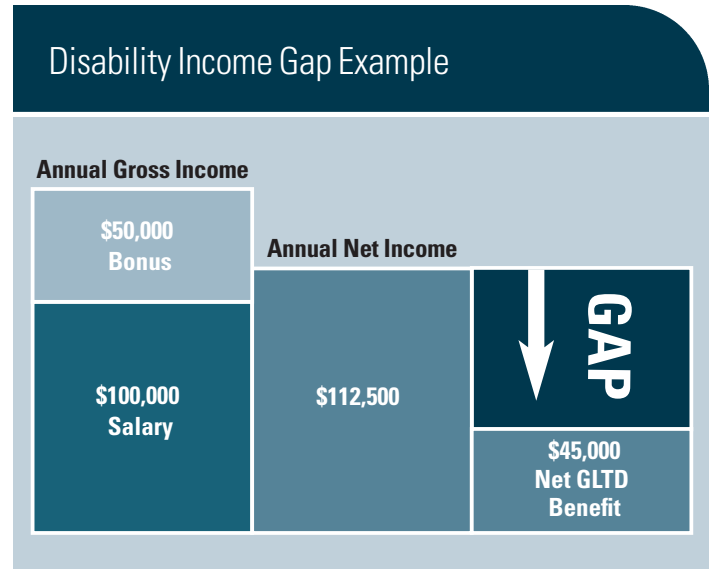
## Other limitations of GLTD are:

- Coverage may not be portable or available at the same rates if you change jobs or become unemployed.
- Because of ‘caps’, GLTD may cover a lower percentage of income for those who earn higher salaries.

# The DI Gap

The limitations of GLTD coverage all contribute to the ‘DI Gap’—the difference between your current net income and the net GLTD benefits you would receive if you were to become too sick or hurt to work for an extended period of time.

Understanding the level of coverage provided by your GLTD plan is essential in accurately determining your DI Gap. You might be surprised to discover that you have a DI Gap.



Above chart assumes a 25% tax rate and a Group LTD plan paid for by the employer that provides 60% to \$5,000 per month.



# Determining your DI Gap

Use the following worksheet to help determine your DI Gap, and see how secure your most valuable asset is.

DI Gap Worksheet			
<b>Name:</b> _____			
<b>Employer:</b> _____			
<b>Date:</b> _____			
Income			
1	Annual Gross Salary	\$	Covered by GLTD? <input type="checkbox"/> Y <input type="checkbox"/> N
2	Annual Gross Bonus/Commission	\$	Covered by GLTD? <input type="checkbox"/> Y <input type="checkbox"/> N
3	Total Gross Compensation	\$	Add Line 1 and Line 2
4	Current Tax Rate	%	
5	Annual Tax Amount	\$	Multiply Line 3 and Line 4
6	Annual Net Income	\$	Subtract Line 5 from Line 3
GLTD			
7	% Coverage Available	%	See Employer summary benefit book
8	Total gross annual benefit available	\$	Multiply Line 7 by Line(s) 1 and/or Line 2
9	Total Gross Monthly benefit available	\$	Line 8 divided by 12
10	Maximum Monthly GLTD Gross Benefit Amount	\$	Monthly capped if any defined by Employer benefit book
11	Total Gross Monthly Benefit Available	\$	Lesser of Line 9 and Line 10
12	Monthly Tax Amount	\$	Multiply Line 11 by Line 4
13	Total Net monthly benefit available	\$	Subtract Line 12 from Line 11
14	Total Annual Net GLTD benefits available	\$	Multiply Line 13 by 12 months
Summary			
15	Total Net Annual Income	\$	Line 6
16	Total Net Annual GLTD	\$	Line 14
17	<b>DI Gap</b>	\$	Subtract Line 16 from Line 15

Once your annual DI Gap is identified, refer back to the expense chart on page 1 and determine, in the event of a disability, which expenses you should continue funding (i.e. housing, food, insurance), and those expenses you may no longer be able to support.



# Secure a larger portion of your income.

Individual disability income insurance (DI) from MassMutual is a personal protection solution available to you that, when used to supplement your employer provided GLTD, can help replace a larger portion of your income\* – including bonuses or commissions.

While no disability income insurance policy, or any combination of policies, will cover 100% of your income, adding DI coverage to supplement existing GLTD coverage can help you minimize the DI Gap.

DI can provide you additional benefits to help fund your expenses and lifestyle if you become too sick or hurt to work.

A DI policy:

- Can be used to supplement existing GLTD – and increase overall protection.
- Can cover bonuses and commissions (not typically included in GLTD coverage).
- Offers benefits that are usually tax-free.
- Is fully portable; you own it and can take it with you wherever your career may lead.
- Is guaranteed continuable and non-cancelable to age 65. The premiums can never change for the life of the contract (provided coverage is not increased), and the contract can not be canceled by us except for lack of timely premium payments.
- Can provide recovery benefits when you return to work.
- Can provide benefits to help you pay expenses, such as mortgage, credit card or car payments, or save for retirement.
- Offers a wide selection of policy features and benefits to help meet your unique and changing needs.

Your income is the foundation of every financial strategy you put in place. Without it, your plans may be put in jeopardy.

Your income is that valuable.

Your MassMutual financial professional can help you assess your situation, and make recommendations for a disability income insurance solution. We can help you build upon what you already have in place, and help ensure that your most important asset is as secure as it can be.



\* This supplemental individual disability income insurance does not coordinate with your group long term disability coverage. Claim decisions are rendered independent of each other.

This policy provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio for this policy is 50.2 percent. This ratio is the portion of future premiums which the company expects to return as benefits, when averaged over all the people with this policy.

The information provided is not written or intended as specific tax or legal advice and may not be relied on for purposes of avoiding any Federal tax penalties. MassMutual, its employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

Disability income insurance policies issued by Massachusetts Mutual Life Insurance Company, Springfield MA 01111-0001. Policies have exclusions and limitations. For costs and complete details of coverage call your agent or MassMutual at 1-800-272-2216 for a referral to an agent.

