



# Preparing for the Unexpected

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## How would you make money if you suddenly couldn't work due to an illness or injury? Disability income insurance can be an essential part of your financial safety net.

Four years ago, Melinda Busch, a dental hygienist from Frisco, Texas, slammed her ring finger in a door and crushed it. "It's a fulcrum finger that we use to stabilize while manipulating instruments. I never thought something like this would occur," says the now 37-year-old. She was out of work at the dental clinic for six months.

In January 2019, Bradley Messerschmidt, a Thrivent Financial professional in Spokane, Washington, was diagnosed with testicular cancer at age 33. He needed surgery and chemotherapy. He, too, was out of work for six months. These are two very different scenarios, but the impact is the same. The chances of missing work due to illness or injury are greater than you may realize. People are often familiar with disability income insurance since many employers offer it as part of their benefits package. Basically, you get sick or injured, are unable to work, and the insurance kicks in. But not everyone has it and what they do have may not be enough.

It's something for people of all ages to think about, especially young adults. According to the Social Security Administration, more than one in four of today's 20-year-olds can expect to be out of work for a least a year due to a disabling condition before they reach age 67.

Both Busch and Messerschmidt did something years ago in their work life that most people don't think about. They bought personal disability income insurance.

Messerschmidt purchased his contract in 2013, while he was working as an engineer in a company that didn't offer it as a benefit.

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### Who is Thrivent?

At Thrivent, we believe money is a tool, not a goal. Driven by a higher purpose at our core, we are committed to providing financial advice, investments, insurance, banking, and generosity programs to help people make the most of all they've been given.

At our heart, we are a membership-owned fraternal organization, as well as a holistic financial services organization, dedicated to serving the unique needs of our clients. We focus on their goals and priorities, guiding them towards financial choices that will help them live the life they want today - and tomorrow.

He learned about the importance of disability income insurance only when a work friend suggested that he and his wife, Lindsey, meet with a financial professional to talk about their future. "I was 28, had a desk job, and I thought there wasn't much that could happen to me sitting at my computer. Like many people, disability income insurance wasn't on my radar," he says.

Busch was only 24-years old in 2006 when she purchased a contract at the urging of her parents. "They were insistent that I get a disability income insurance policy because my dad had a heart attack when I was in high school, and he was on disability and out of work for quite a while," she says.

Both Messerschmidt and Busch are immensely grateful that they'd made the choice. As Busch puts it, "Getting this policy was the smartest decision I ever made."

### Contract Choices

"Disability income insurance is about protecting a person's most important asset—their ability to earn an income," says Steve Sperka, vice president of health insurance products at Thrivent. There are different products to help you do that, and you determine how much of your income you want to get protection for.

Whether you're self-employed, work full-time or part-time, or your employer offers a disability benefit, you can purchase personal disability income insurance. "It makes sense for anyone who has earned income," says Jason Jupiterwala, a Thrivent Financial professional in Allen, Texas.

Why get a personal disability income insurance contract if your employer already offers one? "It's likely that the income from your work contract is taxable," says Jupiterwala. "If your employer covers the premium, the benefits you receive may be taxable. This reduces the amount you would receive."

"Let's say you make \$100,000, and your employer contract covers you up to 50%. You could consider purchasing a contract that would get you to about 70% to 75% of your income," says Sperka. "And the money you'd receive from your personal contract likely wouldn't be taxable."

At the time he purchased his contract, Messerschmidt was earning about \$65,000 a year. If he were to become disabled and unable to work, the contract would pay 75% of his monthly post-tax income for five years. It cost him \$32.29 a month, and he could take it with him if he lost or left his job.

While he chose a five-year option, it's possible to purchase a contract that covers you for two, five, or 10 years or until you turn 65 or 67, depending on the plan you choose. If you lose your job while you are disabled, you still will receive the money from your personal contract.





If you get another job, your personal disability income insurance will follow you at the same income amount as when you originally purchased the contract. Premium payments can be set up automatically and can be scheduled monthly, quarterly, semiannually, or annually, and it's possible to purchase a feature that indexes the pay to inflation.

The other nice thing about these contracts is that it's sort of a "rolling benefit." If, for example, you use four months of a five-year disability contract and then return to work for six months full-time, the clock restarts for your five years.

That was helpful for Busch who, in June 2019, had to have carpal tunnel surgery. As of November of that year, she was still on full-time disability leave. Her employer, she says, is holding her job for her. She had chosen a contract that would cover her until she turns 65. "This means that her contract would last until 65 no matter how many times the benefit is triggered on and off to that point," Jupiterwala says.

What if your income increases? A future purchase option (FPO) lets you increase your insurance coverage annually as your income increases, without medical underwriting, in exchange for a higher premium. Even if you develop a health condition, you can purchase additional coverage under the existing contract.

There are even contract options for stay-at-home spouses, whose work is valued in the home but who may not have income from external sources. For example, a stay-at-home spouse could purchase up to a \$2,000-a-month benefit with a two-year payout period that could be used if that person should become disabled.

#### **Extra Sense of Reassurance**

During Messerschmidt's six-month disability leave, he chose not to dip into his employer-sponsored disability income insurance contract, which had a 120-day waiting period before it kicked in. He would have claimed it if he could have received two months of benefit, but because he was back to work on a part-time basis, he only would have received a week's worth of pay after the elimination period.

Even though the Messerschmidts have some additional burdens—they are raising two children with disabilities, and a third child, their oldest, passed away in 2015—the family was able to make it through the months when Messerschmidt was out of work without harming their savings. As far as Messerschmidt knows, he's healthy now. He and his wife, Lindsey, are focused on their family. "I'd venture to say, in the past eight years, we've experienced a lifetime of medical issues," he says.

Messerschmidt and Busch feel that having a personal income disability contract gave them an extra sense of reassurance. "You don't buy insurance because you want to use it; you buy it because it'll be there if you need it," Messerschmidt says. "And I can't imagine not having this insurance in place with everything that's gone on in our lives."



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