



Disability: An Overlooked Threat to Retirement

Tough economic times are threatening the financial security of more and more workers, including their dreams of a secure retirement. The Council for Disability Awareness (CDA) paper *Worker Disability: A Growing Risk to Retirement Security* addresses people's widespread unawareness about the growing incidence of disability and the financial risks an unexpected accident or illness can have on workers' retirement savings.

"The responsibility for retirement funding has essentially shifted to the individual," says Robert Taylor, president of the CDA. "Unfortunately, most Americans just don't understand that their chances of becoming disabled are on the rise, putting their - and their families' - current and future financial lifestyle at risk. Most employees don't realize that if their income stops, so do contributions to their 401(k) plan."

Studies predict that three in 10 workers entering the workforce today will experience a serious income-stopping disability before retirement. The CDA paper notes that the number of disabled workers has increased an alarming 35 percent since 2000 - a trend attributed mostly to an aging workforce, the growth of life-extending medical technologies and the declining general health of the population. Yet, according to the CDA Web site, www.disabilitycanhappen.org, close to 90 percent of workers significantly underestimate their own chances of becoming disabled, and six in 10 workers have never discussed how they would pay their bills during an income-limiting illness or injury.

Sound financial planning, preferably with the help of a qualified financial advisor, is critical to being prepared for the financial risks that can result from losing your income because of disability. The planning process should include determining your necessary living expenses, as well as the "added costs" of losing your income, such as funding your retirement plan and covering additional medical care expenses and COBRA premiums. It's also important to understand what sources of income may be available to you if you become disabled, such as your employer's sick pay and long-term disability plans, social security disability insurance and worker's compensation. Maintaining a healthy lifestyle to reduce your odds of becoming disabled is a key, yet often-overlooked, financial planning action.

"Good disability financial planning is essential for all workers," states Taylor. "The CDA is working hard to encourage all working Americans to be better prepared to help secure their financial well-being today and into retirement, in the event they experience a long-term disability."