By Raymond Phillips, CLU, LTCP

DISABILITY INCOME INSURANCE

Easy Steps to More DI Sales

Call it paycheck insurance and sell it as a protection for take-home pay and health insurance premiums.

Disability income (DI) insurance is not an easy sale. Perhaps that's why many planners do not make it a part of their overall process. But it really should be. A consumer's paycheck is the bulwark of his life. By properly protecting his paycheck, you are ensuring continuance of the very financial plan you may have helped him implement.

Think about it. DI coverage can ensure timely life insurance payments, investments and retirement contributions that might otherwise cease when a disability strikes. So, proper protection of a paycheck should be paramount in any financial planner's objectives for his clients.

Yet, as an industry, we've failed. According to the Social Security Administration, 69 percent of workers in the private sector have no DI coverage at all. *(Social Security Administration Fact Sheet, 1/2009).*

Tips for selling DI insurance

Here are some strategies you can use to help seamlessly introduce this coverage into your client's or prospect's overall financial plan.

- **Refer to it as paycheck insurance.** Words have an impact. Disability income insurance is clunky to say and is difficult for a client to grasp. The phrase is full of negative connotations and misdirected perceptions. Instead, focus your clients on what this really does—it protects their paycheck. It's a simple and succinct way of cutting to the very essence of what this insurance does.
- **Sell it as a percentage of their take-home pay.** We've been conditioned as an industry to present "paycheck insurance" as a percentage of a client's *gross* pay. But this does not resonate with a client because he doesn't spend his gross pay. He spends what's left *after taxes are paid*. Remember that a client receives benefits after taxes, assuming there are no deductions for the premium. Present such proposed DI benefits as a percentage of the *client's take-home pay*.

  For example, a white-collar executive making $150,000 a year can reasonably expect to qualify for around $7,000 per month of individual DI benefit--$84,000 per year. As a percentage of gross wages, that would replace almost 60 percent of his gross income.

  But accounting for federal, state and local taxes (and FICA, Medicare, etc), his actual take-home pay would be around $101,000 (based on state and local rates in my area). The DI benefit replaces *83 percent of his take-home pay.* That packs a wallop.
- **Strategize to protect health insurance premiums and then "upsell" from there.** The DI world is full of statistics, ads and brochures that demonstrate that a significant percentage of home foreclosures take place due to a person's disability. There is no doubt that this is a genuine risk. But for clients who are paying their own health insurance premiums (or a percentage thereof), a more powerful scenario is the impact of a disability on the *continued timely payments of his health insurance premiums.*

Starting a client with a proposal for the amount of his health insurance premium will probably be very inexpensive. "Mr. Client, I want to provide you with funds to pay your health insurance premiums if you get disabled and can't work." When a client has the greatest need for his health insurance—during a disability—that's when he runs the highest risk of not being able to afford the premiums.

The obvious follow-up question from you would be: "Do you have similar protection to cover your mortgage payment (and homeowners insurance, car loans, credit card bills, etc.?") In effect, you can build to a more all-encompassing benefit amount by using the health insurance premium as the springboard to a prospect's awareness of the real risks of a disability halting his paycheck.

We are obligated to help our clients develop strategies to protect their paychecks.

Overall, the American public's paycheck is under insured. As prudent planners, we have an obligation to help our clients develop strategies to efficiently protect their paychecks, which are the foundation of their lives and financial plans. Not only will this give them protection for the lifestyles their paychecks offer them, it can also help make sure that the very strategies you have helped them implement remain intact. □

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