

Insurance Explained – Disability insurance video

Transcript

Talent starts speaking on camera.

Do you or your loved ones rely on your income for day-to-day living?

If not, then first off, tell me your secrets.

And second, you can go back to your regularly scheduled internet-ting.

But if you DO, you might want to consider disability insurance—so...keep watching.

Cut to animated introduction with the supers:

Manulife presents Insurance Explained

Today's topic: Disability Insurance

Talent starts speaking on camera.

You stayed! That means you're part of the 99% - like me.

So, let's get into it.

(Cut a frame where the super "Why disability insurance?" appears).

Well, through your hard work, your income allows you to pay for most of your monthly expenses (from groceries to the mortgage) and to support your loved ones.

But what would happen if you got into an accident or got chronically ill and you couldn't work anymore?

(An illustration of a house, a key and a hydro bill appear on screen beside the talent).

And if you can't work anymore, how would you be able to pay your mortgage, rent, monthly bills? Well, this is where disability insurance comes in.

Disability insurance is designed to replace a portion of your income if you become disabled and are unable to earn an income. And a disability isn't just due to a physical injury or illness.

(An illustration of clutches, a hospital, and a head with a cloud inside it appear on screen beside the talent).

While it CAN include an injury or a serious illness, it can also cover a disability arising from a mental health issue.

This is why disability insurance is so important.

(Illustration of a weighing balance appears on screen. The left tray gets filled with home keys, a steering wheel, a ring and a watch. The right tray gets filled with a cheque which tips the balance on the right).

Because your most valuable asset isn't your home, your car or other valuables.

It's what allows you to pay for those things.

It's your ability to earn an income.

And disability insurance helps protect just that!

If you'd insure your home, your car or other valuables, why not protect your income?

Think about how long you'd be able to go without a paycheck before having financial issues.

Is it weeks? A couple of months?

Well, here's what the financial impact of a disability could look like:

(Cut to an illustration of a drawing board where the following calculus appear).

Let's say the average income of a 25 to 34 years old is \$47,000¹

If you plan to work until 65, that's 40 years of work remaining. Meaning your future total income would be \$1,880,000. And that's a big asset.

If you didn't have disability insurance and became disabled and unable to work tomorrow, you'd forgo \$1,880,000 over your lifetime.

But disabilities can be temporary.

Let's imagine you're fortunate to recover from an accident or an illness after a shorter period and you only take a year or 2 away from working.

You'd be missing out on 94 thousand dollars. Do you have that much money saved to cover such a huge gap in your income? I don't.

(Cut a frame where the super "How does disability insurance work?" appears).

Disability insurance can cost a small percentage of your annual income and it can provide between 60 to 85 percent of your monthly income should you become disabled and need it.

It's a pretty small cost for a potential big payout.

(Illustrations of a birthday cake, gender signs, a cigarette, a medical checklist and a laptop appear on screen).

The cost – or the premium - is based on several factors like age, sex, smoking status, past and current health history and your job.

The key considerations for disability insurance are based on how long you'd have to wait to receive the monthly benefit – called the waiting period, how long you would continue to receive the monthly benefit – called the benefit period, and finally, the definition of a disability— this one's important as your qualification for the benefit will be assessed against that definition.

I'll explain...

There's 3 main definitions of disability:

(Super "Partial disability" appears on screen beside the talent).

Partial disability provides coverage when you can't perform all of your job duties or can only perform all of your job duties for a shorter timeframe.

There's usually a 50% payout of the monthly benefit.

(Super "Residual disability" appears on screen beside the talent).

Residual disability provides coverage when you're not totally disabled but still have limitations in performing your job duties, and result in a loss of income of at least 20% compared to the period before you became disabled.

(Super “Total disability” appears on screen beside the talent).

And finally, total disability provides coverage when you're not able to perform your regular duties of your occupation AND are unable to earn an income.

Now, another important thing to ask.

(Cut a frame where the super “When to consider disability insurance?” appears).

If you're an employee, ask yourself if your employer provides a group disability plan for you. Do you know how those benefits would become payable if you become disabled?

You don't? Totally fine. That's why we're doing this!

So, group benefits coverage could provide you with insurance while you're employed AND usually offers disability coverage over a shorter-term period — but it could have restrictive disability definitions for longer-term disability coverage.

If you're a self-employed or an independent contractor, ask yourself this question:

(An illustration of a piggy bank appears on screen beside the talent).

Do I have an emergency savings fund that could cover my expenses for a few months while not working – maybe even longer?

No? Also fine.

Individual disability insurance COULD be an option. Because an illness could not only impact your immediate financial wellbeing, it could also impact your long-term plans like retirement.

(An illustration of a Muskoka chair appears on screen beside the talent).

(Cut a frame where the super “Which disability coverage?” appears).

In Canada, disability insurance can be provided by your employee group benefits if your company offers it, but also by the government as a social benefit.

But compared to an individual disability insurance, both options have more restrictive definitions of what it means to be totally disabled and have limitations of coverage.

(Super “Group Benefits” appears on screen beside the talent).

For example, your employee group benefits would only cover you while you're employed. So, if you leave to start your own business, you wouldn't be covered anymore.

As for the government coverage, you'd have had to contribute enough to the Canada Pension Plan, AND the monthly benefit may not be enough to allow you to cover all your expenses.

(Cut a frame where the super “The takeaway” appears).

Overall, disability insurance is something to consider.

Especially if you or your loved ones are relying on your income for primary financial support.

If you ARE considering it, there're a few things to think about to make sure you're getting the right coverage.

(Supers with checkmarks appear on screen besides the talent: Existing coverage, lifestyle, dependents, employment flexibility, debts and emergency savings).

Like any existing coverage you may already have (through employee benefits)

Your lifestyle (how much of your current standard of living would you'd want to keep?)

How many people rely on your income,

Employment flexibility (would you be willing to change jobs if you can't do the one you used to do?)

Your debts (like car payments and mortgage)

Emergency savings (and how much you have to last until you can work again)

And last but not least, your life goals and dreams.

What would happen to your plans and retirement if your disability lasted longer than your savings?

Not the fuzziest thing in the world to think about—I know—but it's better to think about it now, so you're prepared for later.

(Cut to end frame with Manulife logo and legal disclaimer).

¹ Statistic Canada, Income of individuals by age group, sex and income source, Canada, provinces and selected census metropolitan areas, 2019

The information in this video is not to be relied upon as financial or investment advice for specific situations. Individual circumstances may vary. You may wish to contact one of Manulife's licensed insurance advisors or your licensed insurance agent if you need advice about your insurance needs.

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