

Long-Term vs. Short-Term Disability Income Insurance

It's hard to imagine becoming disabled, and harder still to imagine a disability lasting longer than a few weeks. But serious disabilities can last years or even a lifetime. That's why you should pay attention to whether a disability income insurance policy offers long-term or short-term disability benefits, and understand the difference between the two.

How do long-term and short-term disability policies differ?

By definition, long-term and short-term disability policies have different purposes. Short-term disability income insurance is designed to pay you benefits sooner and for a shorter period of time than long-term disability income insurance.

Under the terms of your disability income insurance policy, you'll have to wait for a certain period of time after you become disabled before you can begin receiving benefits. Some policies (typically short-term policies) even offer two waiting periods--a shorter one for accidents, a longer one for sickness. Waiting periods under short-term policies generally range from 0 to 14 days, depending on the terms of the policy. Waiting periods under long-term policies are longer, ranging from 30 to 720 days, although a 90-day waiting period is most common.

If you suffer a disability, you'll receive benefits until you recover or reach a certain maximum. By definition, short-term disability policies may pay benefits for up to two years, although many policies pay benefits for only three months, six months, or one year. But long-term disability policies pay benefits for a far longer period--for a few years, up to age 65, or even for a lifetime.

Should I buy long-term or short-term disability income insurance?

If you can't afford to purchase both, it generally makes more sense to purchase long-term disability coverage. Most disabilities last only a short time, and you may be able to financially survive a short-term disability, even without insurance. However, a long-term disability can seriously threaten your finances if you do not have insurance.

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Consider these factors as well:

- › The other kinds of protection you have: If you suffer a disability, you may be eligible for benefits from a government-sponsored disability insurance program such as Social Security or workers' compensation (if your disability was work related). Your employer may also provide coverage, although employers offer short-term coverage more frequently than long-term coverage. Don't buy a policy that duplicates coverage you already have elsewhere.
- › The type of coverage you can afford to buy: Short-term coverage is typically less expensive than long-term coverage because benefits are paid for a shorter period of time.

How do I buy a short-term or long-term disability income insurance policy?

You can buy disability income insurance through a private company that sells individual policies, or you can purchase group disability insurance through an association to which you belong or through your employer. Employers may also offer you a certain amount of disability insurance at no cost to you as part of your employee benefits package.

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