



# Important Information for Those Completing Residency

## Meet Leanne, Internist

Leanne is completing residency and will begin working at a large family practice clinic. Her long-to-do list includes taking board exams, moving, and planning a post-graduation trip.

## Why should Disability Income protection be on her list of priorities now?

Having invested so much in her career, Leanne knows she needs to protect her income and all that it will make possible. At a seminar for residents, she learns about several advantages to buying DI while young and healthy:

- **Need** — 1 in 4 of today's 20-year-olds, will be unable to work due to sickness or injury during their careers.\*\*
- **Early-Career Impact** — With her student loan debt at its highest, her income just beginning to grow, and minimal retirement savings, a disability early in her career would have a significant impact.
- **Cost** — Buying while young lets her lock in lower premiums because cost can be affected by age and health. If she delays applying and her health changes, the cost and her ability to get coverage may be affected and health conditions may be excluded from coverage.

## Individual Disability Income insurance (IDI)

Numerous physicians Leanne knows tell her that they bought IDI in residency and suggest she do the same. Leanne meets with an insurance professional and is impressed with how IDI lets her tailor coverage to her needs and can supplement any benefits she ends up getting from her future employer.



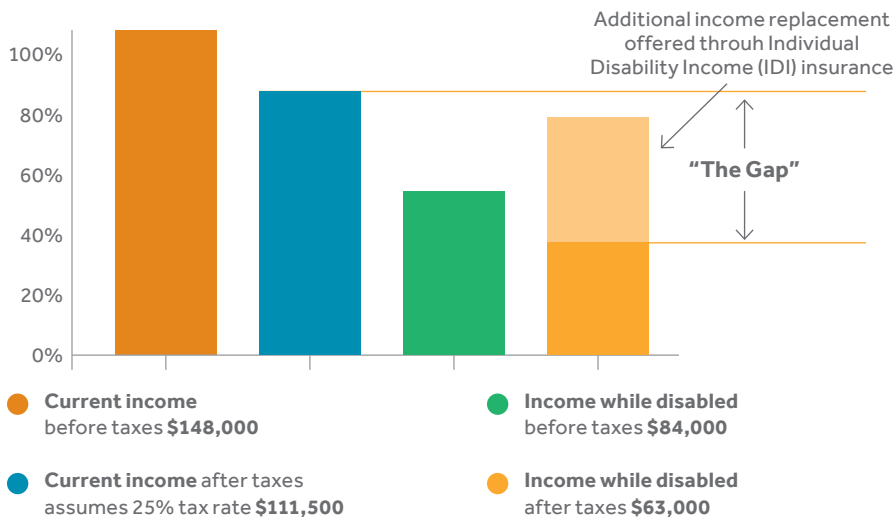
**Leanne**  
**Age:** 33  
**Occupation:** Internist  
Completing Residency  
**Employer:** Family practice clinic  
**Starting salary:** \$148,000 (avg.)  
**Student loan debt:** \$166,000  
(\$1,910/month)\*  
**Current DI protection:** None

## Advantages of Individual Disability coverage include:

- Portability lets Leanne take the coverage with her when she changes jobs, which is not usually the case with group Long-Term Disability (LTD) plans.
- Tax-Free benefits. Because she'll pay the premiums with after-tax dollars, any benefits are nontaxable. Employer-paid group LTD plan benefits are taxable.
- Incentive and bonus compensation is covered. Group LTD plans typically cover base salary only.
- Different payment options available. Level or graded premium payment options enhance IDI's affordability. Leanne can choose to make lower payments initially, with premiums increasing on a fixed scale as she ages (graded). Or she can opt for one uniform (level) monthly premium.

## Group Long-Term Disability (LTD) insurance

Like most jobs at large clinics, Leanne will have group LTD at no cost to her. In the event of disability, it provides for income replacement benefits of 60% of pre-disability base salary but the plan has a benefits maximum of \$7,000 a month (\$84,000/year).



Assumes Group LTD Plan is 60% income replacement benefit.

Leanne notes that:

- 60% of her annual pre-tax income is **\$88,800**.\*\*\*
- However, if disabled, she'd only receive \$84,000 due to her group LTD plan's benefits cap.
- **60% isn't always 60%** — Because her disability insurance premiums are employer-paid, they're taxable, thus she'd receive only **\$63,000\*** a year after taxes. **So instead of replacing 60% of her income, her group LTD plan would actually provide after-tax income replacement of 56%.**
  - And, as her salary increases, the 'gap' will grow bigger and her percentage of income replacement would, in fact, decrease.

The limitations of her group LTD plan create a need to reduce the 'gap' between her net income and the disability benefits available through group LTD, which is why Leanne is still considering individual coverage.

**Association Plan** — A very basic plan is available through a state medical association. She looks at the plan and is disappointed to see that it is cancellable and only conditionally renewable, so she'd have no guarantee of having the same coverage until age 65. Plus, only a modified definition of disability is offered.

After evaluating her options, Leanne feels confident in her decision to leverage individual disability income insurance to supplement her group LTD.

### Smart choice

Leanne has several options for disability income coverage:

- Individual Disability Income insurance (DI)
- Group Long-Term Disability (LTD) insurance
- An Association Plan

After weighing the pros and cons of each, Leanne decides to apply for individual disability income insurance to supplement the group LTD she'll receive at her job.

The Guardian Life Insurance Company of America

guardianlife.com

New York, NY

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\* Assumes ten-year level repayment plan, interest rate of 6.8% on all loans.

\*\* Social Security Administration Fact Sheet, December 2019.

\*\*\* Assumes effective tax rate of 25%. Individual disability income products underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY. Product provisions and availability may vary by state.

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