

LIFE AND DISABILITY INSURANCE: Why Residents and Attending Physicians Need Both

The medical profession is often synonymous with resilience, dedication, and an unwavering commitment to saving lives. However, being on the frontline of healthcare also exposes physicians to numerous occupational hazards and illnesses, which may affect their ability to work or overall health. As such, life and disability insurance are two vital strategies for protecting loved ones and preserving the future income of these specialized healthcare professionals.

This article aims to explain and highlight why residents and attending physicians must consider these two types of insurance.

UNDERSTANDING LIFE AND DISABILITY INSURANCE

Before unpacking the benefits of life insurance and health insurance strategies, it is crucial to comprehend what they are and what they cover.

Life Insurance

Life insurance is a contract between the insured and an insurance company that provides beneficiaries with monetary compensation when the insured dies. Upon death, the insurance company pays your beneficiaries a pre-determined sum of money, a death benefit, to provide them with financial support.

There are two main types of life insurance - term and permanent.

- **Term life insurance** - Term life insurance insures you for a specific period, such as 10, 15, or 20 years. After that period, the policy ends or may continue at a higher premium amount. Term life insurance does not accumulate cash value or increase the death benefit amount.
- **Permanent life insurance** - When premiums are continued, permanent life insurance provides lifelong protection. There are different types of permanent insurance that can meet your needs: Whole Life Insurance, Universal Life Insurance, Variable Life



Insurance, and Indexed Universal Life Insurance. With permanent life insurance, the policy can accumulate cash value over time, which can be used for other purposes, such as college funding or retirement income. Accessing the cash value in a permanent life insurance policy can be borrowed as a policy loan, or withdrawn outright.

A financial professional can help you understand the different types of permanent policies and how they work, as well as riders that may be available to customize them.

Disability Insurance

Disability insurance covers part of your income if you become incapable of working due to illness or permanent injury. There are two types of disability insurance - short-term and long-term.

Disability Insurance Continued

- **Short-term disability insurance** - Short-term disability insurance usually replaces a more significant portion of your salary for a shorter period, often less than a year.
- **Long-term disability insurance** - Long-term disability insurance replaces a smaller portion of your salary, but the benefit period may be much more extended, often lasting until retirement age.

It's important to understand that the long-term disability policy's payout subtracts Social Security Disability Income (SSDI) first and then pays a certain percentage of lost wages. However, combining the benefits does not replace 100% lost wages.

WHY PURCHASE LIFE INSURANCE AND DISABILITY INSURANCE?

1. To help pay off debt

Medical school and residency programs are often associated with significant debt accumulation. In tragic circumstances, such as premature death or disability, these debts can significantly burden the physician and their family. Life and disability insurance help safeguard financial obligations, and the family's lifestyle can remain unaffected.

2. Employed in a high-risk occupation

Medical professionals, especially those involved in surgeries and procedures, are exposed to a higher risk of accidents and illnesses. For surgical physicians, disability insurance can replace a substantial portion of income lost due to an inability to work, providing a financial safety net.

3. Specialization risk may apply

Highly specialized fields of medicine require years of training and are often associated with high-earning potential. If a disability occurs, the economic loss can be catastrophic. Disability insurance can provide physicians with income protection specific to their specialty.

For example, suppose a surgeon loses the use of their hand and can't perform tasks associated with their specialization. In that case, they will receive disability benefits for a portion of their lost income from the specialty rider in the policy.

4. For future income preservation

Residents and attending physicians spend years in education and training before earning significant incomes. Disability insurance preserves this future income, which is crucial considering that physicians' peak-earning years are often later in their careers compared to other professions.

5. To cover temporary unemployment

There may be scenarios where a physician is temporarily unable to work due to an illness, accident, or recovery from a medical procedure. In such instances, disability insurance can help cover living expenses, thus mitigating the risk of financial instability.

6. Provide financial support for the family

The death or disability of a physician can be a challenging period for their family. Not just emotionally but also financially. Life and disability insurance policies can provide monetary support during these trying times, helping ease the transition process.

7. As a long-term wealth preservation planning strategy

Insurance is part of a comprehensive long-term planning strategy for physicians. Without insurance to cover expenses, premature liquidation of assets and economic loss can occur. With their high earning potential, preserving assets, income, and financial future is paramount.

8. High occupational demands

Being a resident or an attending physician necessitates long working hours, high-stress environments, and constant exposure to health hazards. These occupational demands underline the need for financial preservation offered by life and disability insurance.





LIFE INSURANCE AND DISABILITY INSURANCE POLICY REVIEWS

It is imperative that physicians carefully review their current disability and life insurance coverage with a financial or insurance professional to consider their circumstances, financial obligations, and career trajectories. As these healthcare professionals advance their careers, policy coverage amounts may be inadequate or not reflect their current earnings or situation. For this reason, an insurance review is vital to update any information on their policies, such as income.

In conclusion, life and disability insurance are essential insurance strategies that residents and attending physicians must consider. Beyond providing a monetary cushion against unfortunate circumstances, these policies can offer financial confidence, allowing physicians to focus on the demands and challenges of their profession and to work toward preserving their family's independence.

In a profession dedicated to safeguarding the health of others, physicians must prioritize their health and financial well-being in equal measure.

NEED ASSISTANCE?

If you have any questions, please don't hesitate to contact me!



Peter Berlin, CRPC®

Wealth Advisor

(609) 305-6256 | pberlin@claritasfp.com

claritasfinancialpartners.com

1 Holtec Drive, Suite 201, Marlton, NJ 08053

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Sources:

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