

# What is the Right Age to Buy Individual Disability Insurance?

## THREE MAJOR CONSIDERATIONS



### Earning potential



### Risk factors



### Impact of lost income

## STEP 1: Estimating earnings

In 2016, the average salary of a recent college graduate was \$50,556. Using an average annual increase of 3%, a 25-year-old earning \$50,556 today would earn the following salaries throughout his/her lifetime:

Age	Salary
30	\$58,608
35	\$67,943
40	\$78,764
45	\$ 91,309
50	\$ 105,853

Source: <https://smartasset.com/retirement/the-average-salary-by-age>

## STEP 2: Assessing risk of disability

The likelihood of a disability lasting more than 90 days hovers around 50% for 25-year-olds to 35-year-olds. And although the probability of suffering a 90+ day disability decreases as we age, the number of months disabled increases.

Age	Salary estimate	Likelihood of disability lasting > 90 days	# of months disabled
30	\$58,608	51%	55
35	\$67,943	48%	61
40	\$78,764	44%	64
45	\$ 91,309	40%	68
50	\$ 105,853	34%	74

Source: NAIC Commissioner's Disability Table A, currently used to price IDI products

## STEP 3: Assessing the financial risk

On average, a 30-something, with a 50/50 chance of becoming disabled for more than 90 days, stands to lose more than a quarter of a million dollars while disabled; a 45-year-old more than half of a million dollars. And, there are other financial impacts not factored into this equation, like the impact to retirement assets.

Age	Salary estimate	Likelihood of disability lasting > 90 days	# of months disabled	Lost wages
30	\$58,608	51%	55	\$268,621
35	\$67,943	48%	61	\$345,377
40	\$78,764	44%	64	\$446,332
45	\$ 91,309	40%	68	\$563,076
50	\$ 105,853	34%	74	\$652,760

## Final consideration: the affordability of paycheck protection

The bottom line: At any age, disability insurance is a wise choice.

When you compare the potential economic impacts to the price of a disability insurance policy, it's easy to see that purchasing disability insurance is a smart financial decision.