



CLIENT EDUCATION SERIES · HER EARLY BENEFIT, HIS POLICY · PART III

Disabled at 55, Still on Track

The same couple, with one change: at 55 he becomes totally disabled. His paycheck stops, and so would his 401(k), his income and asset insurance and the plan in Parts I and II. With 401(k) Contribution DI, Qualified Life term and the waiver of premium, every piece keeps going.

01

One plan, three parts

02

The set-up and the disability

03

Net cost before and after

04

His 401(k) keeps filling

05

Converting while disabled

06

Social Security

07

The total added value

08

Things to know

\$75,000

paid into his 401(k) by Contribution DI, ages 55 to 65

\$13,000

a year income and asset insurance premium waived for life, after converting while disabled

\$386,681

total added value by age 85, plus a \$584,636 death benefit

01 THE WHOLE PLAN

One plan, three parts

Parts I and II built the plan for a healthy couple: term at 50 that keeps him insurable, a conversion to income and asset insurance at 62, and her early Social Security paying the premium. Part III asks what happens to each piece if he becomes disabled at 55. Every piece still works; some work better.

Part I

Social Security planning

She claims at 62 and her \$13,658 a year after tax pays his income and asset insurance premium. He waits until 70, so she keeps his larger benefit as a widow.

Part II

Qualified Life term and conversion

\$500,000 of term at 50, paid from seasoned 401(k) money with no cash drag. At 62, after a health change, \$418,410 converts to income and asset insurance at preferred plus.

Part III

Disability at 55

Contribution DI refills the 401(k), the waiver pays the term, and the conversion carries the waiver into the new policy.

Piece of the plan	Healthy (Parts I and II)	Disabled at 55 (Part III)
Term premium, 50–61	\$1,244 a year from seasoned 401(k) money	Paid from the 401(k) to 54, then waived: \$8,708 the 401(k) keeps
His 401(k) after 55	His own contributions continue	Contribution DI pays \$7,500 a year in, to 65: \$75,000
Conversion at 62	\$418,410 income and asset insurance at preferred plus, no exam	Same policy, same class, no exam, and the premium is waived
Income and asset insurance premium, \$13,000 a year	Paid by her early Social Security	Waived for life while he is disabled: \$299,000 by his 85
Her Social Security	Claimed at 62 only to pay the premium	Not needed for the premium: she waits until 67 for her full \$19,512 a year
His Social Security	Waits until 70: \$4,960 a month	SSDI \$4,000 a month from about 55½; can suspend at 67 to reach \$4,960 at 70
Death benefit	\$418,410 at 62, growing to \$584,636 at 85	The same, with nothing paid by the couple
If he dies first	Her survivor benefit plus the death benefit	Her survivor benefit plus the death benefit, plus \$75,000 more in his 401(k)

The design point: the same three decisions at 50 (Qualified Life term with the waiver, Contribution DI, and a Social Security plan) cover both futures: a health change at 62, or a disability at 55.

02 THE CASE The set-up and the disability

At 50 he set up the plan from Part II (Route 1): \$500,000 of 20-year Qualified Life term with the waiver of premium, paid from seasoned 401(k) money. He also added 401(k) Contribution DI. At 55 he becomes totally disabled and cannot work again.

50 Set up \$500,000 QL term with waiver; 401(k) Contribution DI	55 Disabled Paycheck and 401(k) deferrals stop. Waiver and DI start	62 Converts \$418,410 income and asset insurance; premium waived	65 DI ends \$75,000 paid into his 401(k) in total	67 Retirement SSDI becomes his retirement benefit, same amount
---	---	--	---	--

Item	Assumption
The couple	Married, both 50 when the plan starts. He becomes totally disabled at 55 and stays disabled.
Qualified Life term	\$500,000, 20-year, \$1,244 a year with the waiver of premium, paid from seasoned 401(k) money; convertible to whole life until 70
401(k) Contribution DI	Pays \$7,500 a year into his 401(k) while he is disabled, to age 65; about \$400 a year premium from take-home pay
Income and asset insurance at 62	\$418,410, preferred plus, \$13,000 a year payable to 100. Converted while premiums are waived, so the new premium is waived too, for life while he stays disabled
Social Security	His disability benefit (SSDI) of \$4,000 a month, about six months after he becomes disabled; hers as in Part I. Taxed as in Part I: 85% at 22%
Growth	None assumed. Every figure is dollars paid or saved, with no investment growth added

The comparison: the same couple with no Contribution DI, no insurance and no Social Security planning. In that case his 401(k) stops at 55, the family has no death benefit, and at 62 he cannot buy one.

03 AGES 50-54 Net cost before and after

Before anything goes wrong, what does the protection cost him? Compare buying the term on his own with the plan: Qualified Life term paid from seasoned 401(k) money, plus 401(k) Contribution DI.

BEFORE

Term on his own, no DI

\$1,595 of pay, less \$351 of income tax, leaves the \$1,244 term premium. No disability protection for his 401(k).

\$1,595

of pay a year, term only

AFTER

Qualified Life term + Contribution DI

Term: \$1,244 from seasoned 401(k) money, \$0 from pay; he pays tax on the REB. DI: \$400 from take-home pay, which takes \$513 of pay.

about \$610

of pay a year for both, ages 50-54

Age	Before: pay for the term	After: term from pay	Tax on the REB	DI: pay needed	After: pay used	Pay freed up
50	\$1,595	\$0	\$94	\$513	\$607	\$988
51	\$1,595	\$0	\$96	\$513	\$609	\$986
52	\$1,595	\$0	\$97	\$513	\$610	\$985
53	\$1,595	\$0	\$98	\$513	\$611	\$984
54	\$1,595	\$0	\$101	\$513	\$614	\$981

Pay needed: premium ÷ (1 - 22%). REB tax from the carrier's one-year term rates on \$500,000 at 22%. DI premium is a sample figure.

about \$985

of pay freed up each year, to add to his 401(k) or savings, as in the Redirect

Term + DI

for less than 40% of what the term alone costs from his paycheck

The savings shrink each year. The REB rises with his age, so the tax on it rises too: from \$94 at 50 to \$204 at 61. The pay freed up gets a little smaller every year. Your AIB professional will outline the total savings and cost for your own ages, premiums and tax rate.

04 AGES 55-64 His 401(k) keeps filling

Disability ends his paycheck, and with it his 401(k) contributions, often ten years before retirement. Contribution DI pays into the plan in their place. The waiver of premium pays his term premiums, so nothing is drawn from the 401(k) for insurance either.

Age	DI paid into 401(k)	Total DI in 401(k)	Term premium waived	Drawn from 401(k)	From his pocket
55	\$7,500	\$7,500	\$1,244	\$0	\$0
56	\$7,500	\$15,000	\$1,244	\$0	\$0
57	\$7,500	\$22,500	\$1,244	\$0	\$0
58	\$7,500	\$30,000	\$1,244	\$0	\$0
59	\$7,500	\$37,500	\$1,244	\$0	\$0
60	\$7,500	\$45,000	\$1,244	\$0	\$0
61	\$7,500	\$52,500	\$1,244	\$0	\$0
62	\$7,500	\$60,000	—	\$0	\$0
63	\$7,500	\$67,500	—	\$0	\$0
64	\$7,500	\$75,000	—	\$0	\$0
Total	\$75,000	\$75,000	\$8,708	\$0	\$0

Waiting periods ignored for simplicity. No growth is assumed on the DI contributions; in the plan they would also earn investment returns. Without the plan, his 401(k) receives \$0 after 55.

\$75,000

paid into his 401(k) by
Contribution DI, against \$0
without it

\$8,708

of term premiums waived, ages
55 to 61, so his 401(k) is not
drawn down

\$0

out of pocket for insurance from
55 on

Before 55, no cash drag. From 50 to 54 the term was paid from seasoned 401(k) money, not his paycheck. Against buying it with take-home pay, he kept \$7,489 of pay, after tax on the REB.

05 AGE 62 Converting while disabled

He converts at 62, the same age as in Parts I and II. After seven years of disability he would be uninsurable on any new application, but he does not need one. The conversion right in his term lets him move \$418,410 to income and asset insurance (whole life) at his original preferred plus class, and because premiums were being waived when he converted, the new premium is waived too.

INSURABILITY No new underwriting The disability does not matter. No exam, no records, no decline.	PRICE Preferred plus kept \$13,000 a year, the price of a healthy 62-year-old.	PREMIUM Waived for life As long as he stays totally disabled, the carrier pays the \$13,000 each year.
--	--	--

His age	Premium waived	Total waived	Cash value	Death benefit
62	\$13,000	\$13,000	\$0	\$418,410
65	\$13,000	\$52,000	\$25,367	\$419,250
70	\$13,000	\$117,000	\$95,693	\$436,292
75	\$13,000	\$182,000	\$180,473	\$469,576
80	\$13,000	\$247,000	\$281,684	\$520,626
85	\$13,000	\$312,000	\$396,919	\$584,636
90	\$13,000	\$377,000	\$521,541	\$666,631
99	\$13,000	\$494,000	\$784,160	\$855,622

Whole life values at the carrier's current dividend scale, end of year; not guaranteed. Premiums waived while he remains totally disabled as defined in the policy.

In Part I, her early Social Security paid this premium. Here the waiver pays it, so she has no reason to claim early. She waits until 67 and keeps her full benefit for life.

06 SOCIAL SECURITY Disability income and the claiming plan

In Part I, she claimed early for one reason: to pay the income and asset insurance premium. With the waiver paying it, that reason is gone, so she waits until 67 for her full benefit. For him, Social Security disability (SSDI) is paid at his full benefit, not reduced for age, about six months after he becomes disabled. At 67 it simply becomes his retirement benefit.

Household income after tax	No insurance, no planning	With the plan
Ages 55–61: his SSDI	\$39,024	\$39,024, plus \$7,500 into his 401(k)
Ages 62–66: she waits; premium waived	\$39,024	\$39,024, and the \$13,000 premium is waived
Ages 67 on, both living: she claims her full benefit	\$58,536	\$58,536, plus \$75,000 more in his 401(k)
If he dies at 75: her income	\$39,024	\$57,807
If he dies at 75: also left to her	Nothing more	\$469,576 death benefit, plus \$75,000 more in his 401(k)

SSDI \$4,000 a month; her benefit \$2,000 a month at 67; 85% taxable at 22%. As a widow she receives his \$4,000 benefit. With the plan, the death benefit is invested at 4% after tax and she lives on the interest.

+\$5,854

a year for her, for life, compared with Part I: she keeps her full benefit because she never has to claim early

+\$18,783

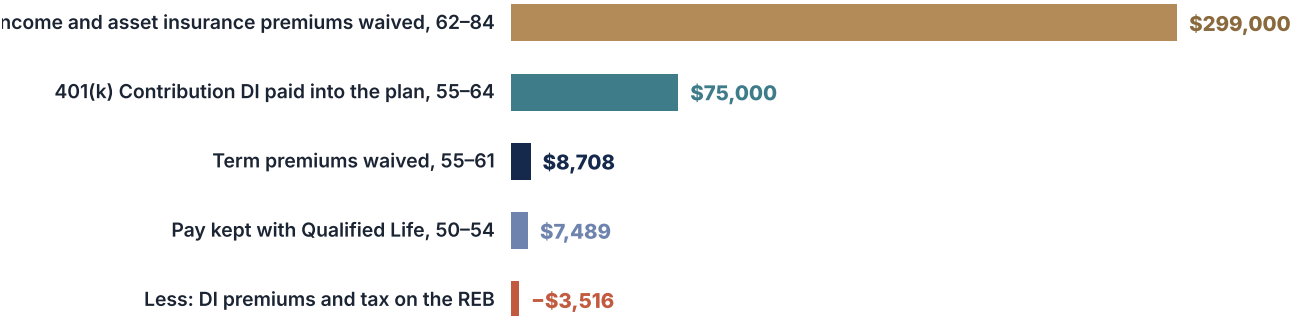
a year more for her as a widow if he dies at 75, from 4% on the death benefit

The Part I plan, adjusted for disability. Her early claim was only ever there to fund the income and asset insurance. With the waiver paying the premium, she waits until 67 and gives up nothing. For him, SSDI replaces the plan to wait until 70, but at 67 he can still suspend his benefit to earn credits to \$4,960 a month at 70, which would also raise her widow's benefit. Whether that pays depends on their health and income needs at 67.

07 THE VALUE

The total added value

Adding it up, with no investment growth on any dollar: what the plan delivers by the time he is 85, compared with the same couple with no Contribution DI, no insurance and no planning.



Source	To age 85	For life (to 100)
401(k) Contribution DI, ages 55-64	\$75,000	\$75,000
Term premiums waived, ages 55-61	\$8,708	\$8,708
Pay kept with Qualified Life, ages 50-54	\$7,489	\$7,489
Income and asset insurance premiums waived from 62	\$299,000	\$494,000
Less: DI premiums (50-54) and tax on the REB (50-61)	-\$3,516	-\$3,516
Total added value in dollars	\$386,681	\$581,681
Plus: income and asset insurance he could not otherwise buy	\$584,636 death benefit · \$396,919 cash value	\$855,622 death benefit at 99

Without the plan, every line is \$0: his 401(k) stops at 55, there is no coverage, and after the disability no insurer would issue new coverage. Social Security is shown separately on page 7 and not added here.

Parts I, II and III together: if he stays healthy, her early benefit pays his premium; if disability strikes first, the waiver pays it instead and she keeps her full benefit. Either way his term keeps him insurable, and the DI keeps his 401(k) growing.

08 BEFORE YOU DECIDE Things to know

- **Definitions decide claims.** The waiver of premium and Contribution DI each define total disability and a waiting period in the policy. This example assumes he qualifies under both and stays disabled.
- **Waiver after conversion.** This carrier waives the new whole life premium when the term is converted while premiums are being waived. Confirm the provision in the specific policy.
- **SSDI is not automatic.** Social Security has its own strict definition of disability, a five-month waiting period and an application process. The amount comes from his earnings record; check his SSA statement.
- **DI contributions are retirement money.** Contribution DI benefits go into the 401(k), not to him as income, and are taxed when withdrawn later, like other pre-tax savings.
- **No growth assumed.** All figures are dollars only. Investment growth on the 401(k) would add to the DI value; dividends on the whole life are not guaranteed.
- **Qualified Life rules.** The plan must permit life insurance, the REB is taxable each year, and moving the policy out of the plan is coordinated with the plan's TPA.
- **Buy while healthy.** Every benefit here depends on coverage bought at 50, before anything happened. None of it can be bought at 55.

The series: **Part I**, her early Social Security pays his income and asset insurance premium. **Part II**, term at 50 keeps him insurable through a health change. **Part III**, disability at 55: the DI, the waiver and the conversion keep the plan on track.



Advanced Group

CONTACT

Advanced Group

Michael Zingale, Consultant

55 East Monroe Street, Chicago, IL 60603

312-882-8717 · mzingale@advanced-corp.com

advanced-corp.com · advanced-ib.com

Hypothetical illustration for education. Social Security, DI and premium amounts are examples. Whole life values from a carrier illustration at the current dividend scale; not a contract or offer. Guarantees are based on the claims-paying ability of the issuing insurer. Advanced Insurance Brokerage does not provide tax, legal or Social Security claiming advice.

III Disabled at 55, still on track

50–54

NET COST WHILE HEALTHY

BEFORE: TERM ONLY

\$1,595 of pay a year

Term on his own from take-home pay: \$1,595 of pay less \$351 of tax. No DI.

AFTER: QL TERM + CONTRIBUTION DI

about \$610 of pay a year

QL term from seasoned 401(k) money (\$0 from pay) plus tax on the REB, and \$400 of DI from take-home pay. About \$985 of pay freed up.

Savings shrink a little each year as the REB rises with age. Your AIB professional will outline the total savings and cost.

50

QUALIFIED LIFE TERM

\$1,244 a year

\$500,000 term with the waiver, paid from seasoned 401(k) money.

401(K) CONTRIBUTION DI

about \$400 a year

Pays into his 401(k) if he becomes disabled.

55

TOTALLY DISABLED

His paycheck and his 401(k) deferrals stop.

THREE THINGS START

55–65

WAIVER OF PREMIUM

\$8,708

Pays his term premium, ages 55–61. Nothing drawn from the 401(k).

CONTRIBUTION DI

\$75,000

\$7,500 a year into his 401(k) to age 65.

SOCIAL SECURITY DISABILITY

\$39,024 a year

\$4,000 a month, not reduced for age; becomes his retirement benefit at 67.

62

CONVERTS

\$299,000 waived by 85

\$418,410 income and asset insurance at preferred plus, no exam. Converted while on waiver, so the premium stays waived for life while disabled.

SHE WAITS UNTIL 67

\$19,512 a year

With the premium waived, there is no reason to claim early. She waits for her full benefit: \$5,854 a year more than in Part I.

RESULT

TOTAL ADDED VALUE BY 85

\$386,681

DI, waived premiums and pay kept, less costs, with no growth assumed. Plus a \$584,636 death benefit at 85.

IF HE DIES AT 75

+\$18,783 a year

Her income \$57,807 against \$39,024 with no plan, plus the \$469,576 death benefit and \$75,000 more in his 401(k).

How to read this chart

- Age when it happens
- Gold: what the plan pays, saves or protects
- Navy: a step or a choice
- Red: the event the plan is built for
- ▼ Read top to bottom; side-by-side boxes happen together

KEY NUMBERS

about \$610

of pay a year for term and DI while healthy

\$75,000

into his 401(k) from Contribution DI

\$386,681

added value by 85

WHERE TO READ MORE

- 01 · One plan, three parts **p. 2**
- 02 · The set-up and the disability **p. 3**
- 03 · Net cost before and after **p. 4**
- 04 · His 401(k) keeps filling **p. 5**
- 05 · Converting while disabled **p. 6**
- 06 · Social Security **p. 7**
- 07 · The total added value **p. 8**
- 08 · Things to know **p. 9**

Part I and **Part II** show the plan if he stays healthy. Your AIB professional will run the numbers for your own ages and benefits.