

## Understanding the Disability Income Insurance “Gap”

And understanding the potential exposure that comes along with it.

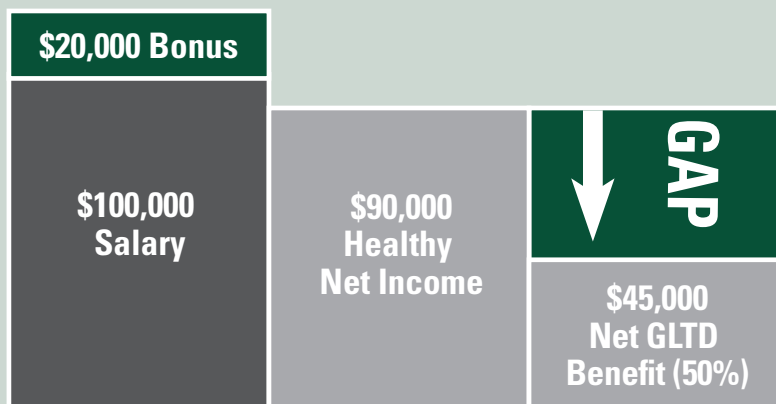
Most people know the group long-term disability (GLTD) benefits made available to them in the form of a company’s employee benefits package will pay a portion of their income should they become disabled.

Of course, the difficulty for many people is correctly identifying what the portion of income covered under the GLTD benefits actually is. Knowing the actual benefits that would be paid, what income is covered, and which benefits are, and are not taxable, is the first step in identifying the “gap” in your disability income insurance (DI) coverage.

A review of your current employee benefits and income from all sources will help you determine how big, or how little, this “gap” is.

*Although Group LTD provides important basic income protection to employees, the level of income protection may not be adequate.*

### Disability Income “GAP”



Above chart assumes an effective tax rate of 25% and a Group LTD plan paid for by the employer that provides 60% to \$5,000 per month.



We'll help you get there.®

## How can you help reduce the DI Gap?

To reduce the DI Gap, often a cost effective approach is the purchase of an individual disability income insurance policy from MassMutual.

An individual disability income insurance policy can cover a portion of your earned income if you become too sick or hurt to work. The very income you rely on for the things that matter most to you and those you care about.

### A DI Gap Example:

John works for a mid-sized corporation as a sales manager.

Annual Base Salary	\$100,000
Annual Commissions / Bonus	\$ 20,000
Group LTD Benefits Payable	60% of salary, up to \$5,000 per month
Group LTD Premiums:	Employer Paid-Taxable

Assume John became disabled for an extended period of time (more than 6 months) and his current group long term disability plan has a 180 day waiting period, then, his current group long term disability benefits coverage will pay out as follows:

	GLTD Pays	Taxable
\$100,000 Base Salary:	\$60,000	\$60,000
\$20,000 Bonus/Commissions:	\$0	—

Assuming an effective tax rate of 25%, the net benefit payment of the GLTD benefits is \$45,000.

In this situation, the Disability Income (DI) Gap for John is as follows:

Net Salary		\$90,000
Net GLTD	—	\$45,000
<b>DI Gap</b>	<b>=</b>	<b>\$45,000</b>

Assumes an effective tax rate of 25% on \$120,000 in salary + bonus, and a Group LTD plan paid for by the employer that provides 60% to \$5,000 per month.

Your MassMutual financial services professional will work with you to identify your DI Gap, your income needs and help you design a policy that will provide benefits in addition to your employee benefits package and help ensure that a greater amount of your income is protected in the event of an extended disability.<sup>1</sup>

<sup>1</sup> Supplemental individual disability income insurance is designed to replace a higher percentage of your income should you become disabled and are eligible for benefits. This policy does not coordinate with your group long term disability coverage. Claim decisions are rendered independent of each other.

The information provided is not written or intended as specific tax or legal advice and may not be relied on for purposes of avoiding any Federal tax penalties. MassMutual, its employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

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