What Is Disability Insurance?

Protecting the paycheck everything else depends on.

Most people insure their home and their car, but forget the thing that pays for both: their income. Disability insurance replaces part of your paycheck if an illness or injury keeps you from working. This guide explains how it works, who needs it most, and how to choose a policy that actually protects you.

THE BIG IDEA

Disability insurance doesn't insure your stuff — it insures your ability to earn an income.

What it does

- Pays you a monthly benefit if you can't work
- Usually replaces 60–70% of your income
- Benefits are typically tax-free when you pay
- Covers illness too — not just accidents

Who needs it most

- The self-employed, with no group coverage
- Sole or primary earners for a family
- Professionals and tradespeople
- Anyone whose life runs on their income

How It Works

You choose a monthly benefit, a waiting period, and how long benefits last. If a covered illness or injury stops you from working, you wait out the elimination period, then receive your monthly benefit until you recover or the benefit period ends. Because it's tied to your income, it's one of the most personal — and most overlooked — kinds of coverage.

Watch the definition of "disability" — it decides whether you're covered when you can't do your own job, or only when you can't do any job at all. That's a huge difference.

What to Look For

The details make or break a disability policy — two plans with the same monthly benefit can protect you very differently. These are the ones that matter most.

Definition of disability	"Own occupation" is strongest — you're covered if you can't do your own job. "Any occupation" is stricter, and cheaper.
Elimination period	How long you wait before benefits start (often 30, 60, or 90 days). A longer wait lowers your premium.
Benefit period	How long benefits last — 2 years, 5 years, or to age 65. To-65 gives the most real protection.
Benefit amount	Usually 60–70% of your income, and tax-free when you pay the premiums yourself.
Renewability	"Non-cancellable" locks in your rate and terms so they can't be changed on you later.

WHAT ACTUALLY CAUSES IT

It's easy to picture a dramatic accident, but most disability claims come from everyday illness — back and joint problems, cancer, heart and circulatory conditions, and mental health. That's a big part of why the risk is so easy to underestimate, and why your ability to earn is worth protecting.

GROUP VS. YOUR OWN POLICY

Coverage through work is a good start, but it's often capped, taxable, and gone the day you leave the job. A policy you own is portable, built around you, and yours to keep.

Seeing It in Action

The names are examples, but the situations are common — and the reasoning is exactly how we'd think it through with you.

A tradesperson on his own

WHY IT MATTERS

Dave, 38, is a self-employed electrician with no coverage through an employer. A back injury puts him off the tools for four months. His individual disability policy replaces most of his income during recovery, so the mortgage and the bills keep getting paid while he heals — instead of draining the savings he'd worked years to build.

A professional with a gap

WHY TOP UP

Amara, 34, has basic long-term disability through her employer, but it caps at 50% of her salary and the benefit would be taxable. She adds a small individual policy to top up the difference, so if she ever couldn't work, she'd keep something close to her real take-home pay.

A business owner with variable income

WHY IT MATTERS

Sam, 45, runs a growing company with income that swings from year to year. We structure a policy around his actual earnings, so a health setback doesn't turn into a financial one — for him, his family, or the business that depends on him.

How to Choose

A few honest questions usually make it clear whether disability coverage should be a priority for you:

- Would your savings cover the bills if your income stopped for six months?
- Do you have coverage through work — and would it actually be enough?
- Is your income steady, or does it swing from month to month?
- How long could you go before a lost paycheck became a real problem?

You especially need it when...

- You're self-employed or have no group plan
- Your family depends on your income
- Your savings wouldn't last long without it

Group coverage may be enough when...

- You have strong employer long-term disability
- It replaces a high share of your income
- You're not the only earner in the home

A FEW HONEST MYTHS

"I have coverage through work, so I'm covered."
Maybe — but group plans are often capped, taxable, and disappear the day you change jobs. It's worth checking what you actually have.

"I'm healthy, I won't need it."
Most disability claims come from illness — back problems, cancer, heart issues, mental health — not dramatic accidents.

"It's too expensive."
Usually less than people expect, and far cheaper than losing your income. The right waiting and benefit periods keep it affordable.

Worried there's a gap?

Let's look at your income, your group coverage, and where the holes are — then build a plan that fits. No pressure, no obligation.

matt@mbranchfinancial.com
mbranchfinancial.com