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# Common Pitfalls to Avoid in Disability Insurance

Disability insurance is one of the most important financial protections for physicians, but not all policies are created equal. Choosing a policy that truly supports you in the event of an injury or illness requires more than checking the right boxes—it requires attention to the fine print and long-term thinking. Below are some of the most common mistakes physicians make when selecting or maintaining their disability insurance coverage—and how to avoid them.

## Insufficient Coverage

One of the most common pitfalls is purchasing too little coverage. Many physicians carry policies that replace only 50–60% of their income, which may fall short when accounting for taxes, debt payments, and living expenses.

To help ensure your policy covers what you actually need, consider:

- Aiming for 60–80% of your pre-disability income in after-tax dollars
- Evaluating your fixed expenses like mortgage or rent, student loans, insurance, and family needs
- Adjusting your benefit amount over time as your income grows

Especially for high earners, insufficient monthly benefits can create a sizable gap between pre- and post-disability income—adding financial stress to an already difficult situation.

## Relying Solely on Group Coverage

Employer-provided group disability insurance is convenient, and often a great starting point, but it can be misleading in terms of actual protection. Group policies are typically:

- **Taxable** when the employer pays the premium
- Capped (e.g., $15,000/month), limiting benefits for higher earners
- **Non-customizable**, often with weaker definitions of disability
- **Non-portable**, meaning you lose the coverage if you change jobs

Many physicians find that a group plan alone doesn't meet their actual needs. Supplementing group coverage with an individual private policy can provide more flexibility, higher benefit limits, and better long-term security.

## Overlooking the Definition of Disability

Not all policies define "disability" the same way. For physicians, this distinction can determine whether or not you receive benefits when you need them most.

Key definitions to understand:

- **Own-Occupation**: You are considered disabled if you cannot perform the duties of your specific medical specialty, even if you can work in another field (e.g., teaching, consulting).
- **Any Occupation**: You are only considered disabled if you cannot perform **any job** you are suited for, making it significantly harder to qualify for benefits.

- **Hybrid Definitions**: Some policies offer Own-Occupation protection for a few years, then transition to an Any Occupation definition.

Physicians should prioritize **True Own-Occupation** coverage and understand the exact language used in the policy. For example, some Own-Occ policies still allow you to receive full benefits while earning income in another field, while others may reduce or eliminate your benefit if you're still working in any capacity.

## Not Planning for Partial Disability

Disabilities often reduce your ability to work rather than eliminate it entirely. Without **residual or partial disability** coverage, you may not receive benefits unless you are totally disabled.

When reviewing this rider, look for:

- Policies that pay benefits based on **loss of income alone**, rather than requiring a loss of time or duties
- A **minimum income loss threshold**, typically 15–20%
- Language using **"or"** instead of "**and**" when describing qualifying conditions

Partial disability coverage is especially important for physicians recovering from injury or illness while returning to work in a limited capacity. It ensures that you're still supported even if you're earning less.

## Skipping the Future Insurability Option (FIO)

Your income will likely increase over time, especially during the first 5–10 years after residency. A **Future Insurability Option (FIO)** allows you to increase your benefit in the future without new medical underwriting.

This rider is particularly important for:

- Residents and early-career physicians
- Individuals expecting large income jumps
- Anyone concerned about future health issues impacting insurability

Without the FIO, increasing your coverage later could require new medical exams—and you risk being denied or limited if your health changes.

## Failing to Review Your Policy Over Time

Your disability insurance needs will evolve throughout your career. Milestones like marriage, home purchases, starting a family, or income growth can all affect how much coverage is appropriate.

Make it a habit to review your policy:

- Every **2–3 years**
- When experiencing **major life or income changes**
- To ensure riders like FIO are exercised when eligible

Many policies also include review windows to increase coverage—if these are missed, the opportunity may be lost.

## Choosing the Cheapest Policy Without Evaluating Coverage

It's natural to consider cost when selecting insurance, but a low premium doesn't always mean good value. Cheaper policies may cut corners in key areas such as:

- The definition of disability
- The presence (or absence) of riders like FIO or residual benefits
- Benefit caps or limitations hidden in the fine print

In many cases, spending a bit more for a **comprehensive, customizable policy** can save you significantly in the long run—especially if you ever need to use it.

## Final Thoughts

Disability insurance is one of the most critical tools in a physician's financial toolkit—but small mistakes in policy design can lead to major problems down the road. Avoiding these common pitfalls will help ensure that your coverage is built to support you through any stage of your career and life.

- Take the time to evaluate your policy carefully:
- Match your income and obligations to your benefit amount
- Supplement group coverage when needed
- Prioritize riders and definitions that align with your specialty and goals
- Review and adjust coverage as your situation evolves

A well-structured policy won't just check a box—it will give you peace of mind that your future is protected.

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