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Americans still in the dark on income-limiting disability

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From baby boomers to Millennials, workers underestimate the impact of a disability on their finances, according to surveys by the Council for Disability Awareness and American's Health Insurance Plans.

CDA found that 56% of workers confess to never discussing with anyone how they plan on paying for their living expenses if a disability kept them out of work for several months or longer.

What's more, 68% of young workers ages 21 to 35 indicate that they could cover normal living expenses for just three months or less if they were to lose their income because of a disability. Research shows, however, that the average long-term disability lasts more than two years.

"The survey underscores the need for workers to incorporate the financial risks associated with disability into their financial planning mindset and actions," explains Robert Taylor, president of CDA.

"Most workers believe that, if they were out of work for a year, they could rely on a patchwork of income sources to make ends meet, including help from friends and family, retirement savings accounts, home equity loans and credit cards," he adds.

Meanwhile, AHIP reports most baby boomers downplay their risk of suffering a disability that would cause them to miss work for an extended period of time. Their survey indicates that 47% of boomers admit they are not too concerned about their chances of suffering a disabling illness or injury.

One of the reasons boomers misjudge their risk is because they are unaware of the most common causes of disability, mistakenly believing that injuries cause more disabilities than illnesses, AHIP notes. Research shows that the most common causes of disability are illnesses, such as cancer, heart disease and diabetes.

"Baby boomers' lack of awareness of their risk of disability presents a significant threat to their financial security," says Karen Ignagni, president and CEO of AHIP. "When individuals underestimate their risk of disability, they are less likely to protect their income and are more vulnerable to the financial hardship that suffering a disability can cause," she adds.

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