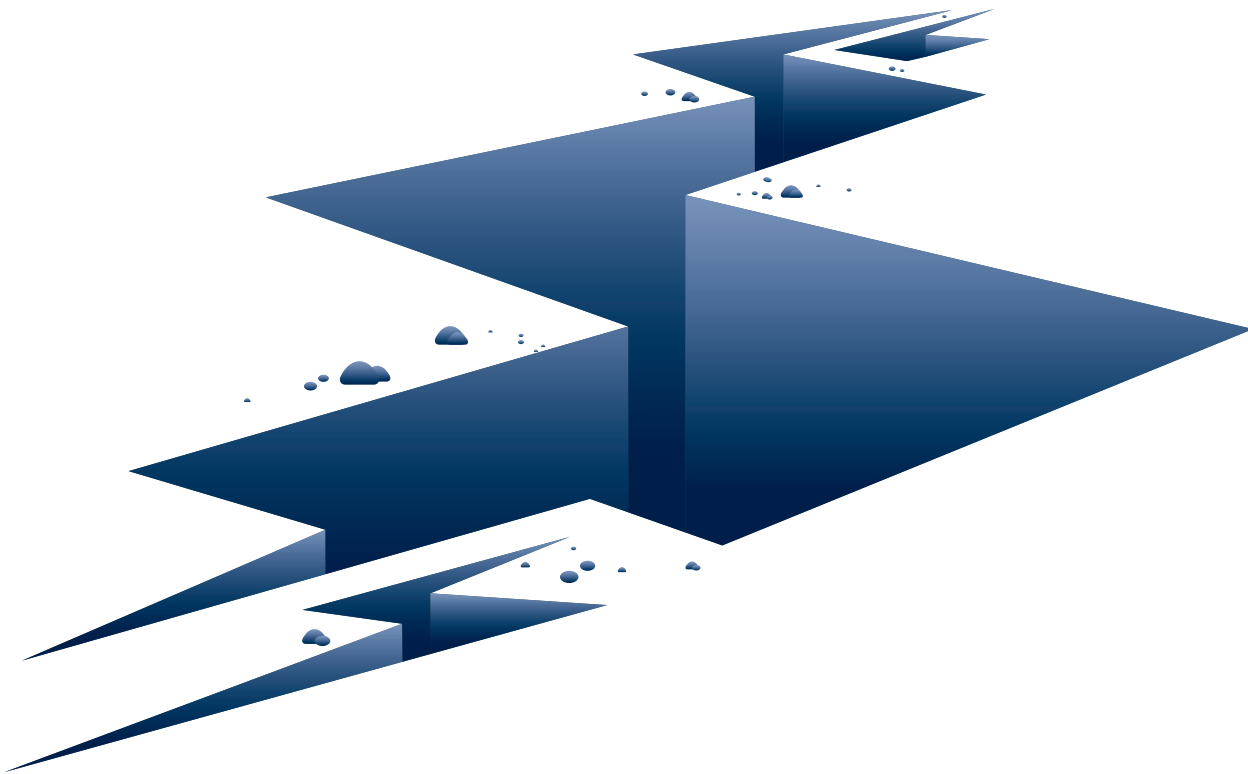


The Disability Divide: *Advisor Study*

The gap between consumers' attitudes — and advisors' perceptions of those attitudes — about disabilities and their potential threat to their financial security.



THE STATE OF DISABILITY IN AMERICA

Continued economic volatility. Rising home foreclosures. Eroded retirement accounts. Stubbornly high unemployment. The struggle for financial security and independence. Personal bankruptcies. All have heightened American workers' need for a reliable stream of income. Still, many are not protected from income loss by savings, private insurance OR government programs.

Just consider these facts about disability in America.

Over 1 in 4 of today's 20-year-olds will become disabled before they retire.¹

8.5 million disabled U.S. wage earners were receiving Social Security Disability Insurance (SSDI) benefits

at the close of September 2011.²

90% of new long-term disability claims are caused by illnesses rather than accidents.

Fewer than 5% are work related.³

The average long-term disability claim lasts for 31.2 months.⁴

New applications for Social Security Disability Insurance benefits (SSDI) increased 27%

from 2008 to 2010.⁵

About 100 million workers are without private disability income insurance.⁶

¹Social Security Administration, Fact Sheet March 18, 2011. ²Social Security Administration, Office of Disability and Income Security Programs. ³2011 Council for Disability Awareness Long-Term Disability Claims Study. ⁴2010 GenRe Disability Fact Book. ⁵Social Security Administration, Office of Disability and Income Security Programs. ⁶Social Security Administration, Fact Sheet March 18, 2011.

How well do financial advisors understand the “disability mindset” of the consumers they counsel? Is there a “divide” between what consumers think — and what advisors *assume* they think — about disability? What insights about employee attitudes and behaviors would help advisors enhance consumers’ financial security? Those are some of the key questions the Council for Disability Awareness (CDA) set out to address in its 2011 Advisor Disability Awareness Study.

To answer these important questions, the CDA conducted an online survey with a nationwide panel of financial advisors. These questions were designed to:

- **Evaluate** how accurately advisors can predict consumers’ attitudes around a variety of disability-related topics (see table of contents below).
- **Determine** areas where there are notable differences between what consumers and advisors believe.
- **Identify** opportunities advisors can explore to engage participants in more meaningful conversations about disability preparedness — and to motivate them to take the necessary steps to protect their income.

We hope the insights gleaned from this research will help financial advisors learn how to make America’s wage earners more aware of the risk a disability poses to their income — and more likely to take the steps necessary to prepare for that potential loss of income.

Survey Methodology	2
Summary of Findings.....	3
Divide #1: Beliefs about disability	4
Divide #2: Overall odds of becoming disabled	5
Divide #3: Causes of disability	6
Divide #4: Duration of disability.....	8
Divide #5: Sources of income in case of disability	9
Divide #6: Preparation for disability	10
Divide #7: Interest in income planning.....	11
Conclusion.....	12

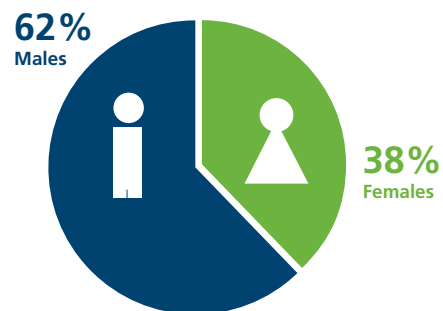
Overview of survey methodology

For this research study, the Council for Disability Awareness conducted an online survey of financial advisors — both *individual* advisors (those who work more often with consumers in one-on-one settings) and *group* advisors (who typically advise employers and consumers in the work setting). The results reflect the responses of 1,267 financial advisors (31% individual and 69% group) gathered during the early months of 2011.

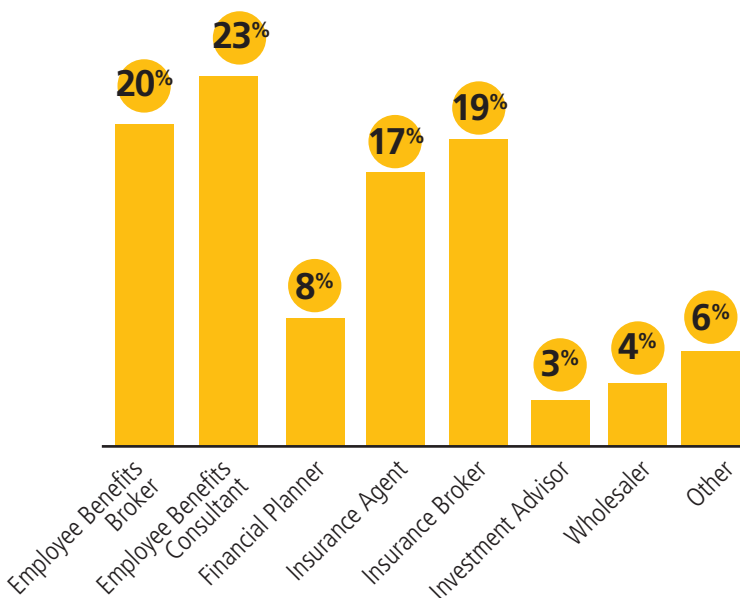
All advisors in this survey are involved in providing clients with information and advice about financial and risk protection issues. They represent different roles within the industry, as highlighted in the chart below. Advisors were offered a small incentive to participate in this study.

In this report, we've also summarized 2010 feedback from consumers who were recruited through a MarketTools ZoomPanel. For the purpose of this study, consumers are defined as any American wage earner. Each consumer received an incentive from MarketTools to participate in that survey.

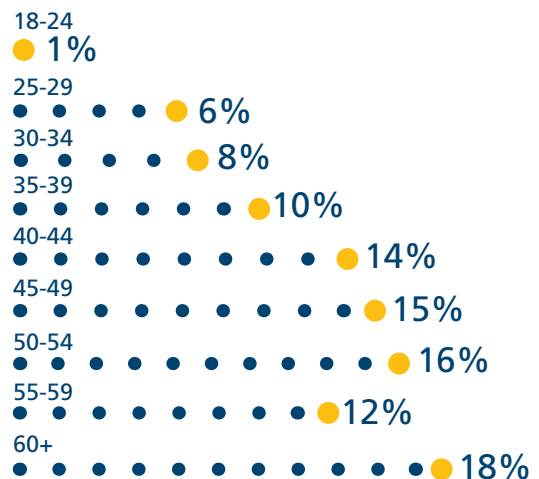
ADVISORS BY GENDER



ADVISORS BY ROLE



ADVISORS BY AGE



Highlights of survey findings

The results of the 2011 Advisor Disability Awareness Survey illustrate some interesting “divides” between how consumers responded to questions related to income-threatening disabilities — and how advisors predicted they would respond to those same questions. There were also a few surprising divides between the perceptions of both groups...and the actual realities of disability. Here are just a few highlights of the key findings:

Consumers think disabilities occur more frequently than advisors assume they do.

83% of consumers believe “a disability could happen to anyone at any time”; only 35% of advisors thought consumers would agree with this statement.

Both consumers and advisors underestimate the true frequency of disabilities.

Consumers think their chances of becoming disabled are about one in 100; a large percentage of advisors estimate those chances as one in 10 to 25. But the actual odds are as high as one in four.

Both consumers and advisors underestimate how many disabilities are caused by illnesses.

Many consumers and advisors think injuries trigger most disabilities...but the facts show that illnesses, such as back problems, cancer and heart conditions, are 10 times more likely to be the causes.

Consumers have a more catastrophic view of disabilities; advisors recognize shorter-term disabilities are more common.

Nearly one out of three consumers expect a disability would prevent someone from ever working again — but advisors accurately predict shorter disabilities occur more often due to common causes like chronic disease, back pain and arthritis.

Consumers admit to not being very well prepared for income loss; advisors believe they're even more poorly prepared than they think.

Consumers (65%) know they couldn't survive more than one year, but have a poorly reasoned idea of how they would get by. Advisors (88%) recognize they're even worse off than they think and their perceived safety nets are full of holes.

Advisors mistakenly assume mostly older consumers are interested in financial planning.

One out of every four consumers agreed planning for a loss of income was “important at any age.” And 42% even said that planning should start in their 20s!

These “divides” indicate that advisors may view consumers as less aware of the risk of disability — and the need to plan for it — than is actually the case. Economic uncertainty has raised the importance of financial security. This presents encouraging new opportunities to help consumers plan for income protection.

Consumers believe that anyone can become disabled at any time.

Advisors predict that consumers view disability as an unlikely occurrence.

In fact, eight out of 10 consumers think that a disability “could happen to anyone at any time.”

- Only 5% of the survey’s respondents said “disability happens infrequently.”
- Possibly because most respondents viewed disability as caused by an accident or injury rather than an illness (see page 6), only 6% think that they can do anything to avoid it, such as living a healthy lifestyle.
- What’s interesting to note is that even though consumers think most disabilities are accidental, they still don’t seem to believe that they can be avoided by simply being more careful.
- Consumers seem to deny the possibility that an illness might interrupt their income.

Advisors significantly underestimate how many consumers think a disability can strike at any age.

- Nearly half of advisors predicted that consumers would agree that “disabilities happen infrequently.” That’s nearly 10 times more than the percentage of consumers who actually responded this way.
- Advisors did accurately predict that consumers wouldn’t think that they could do much to prevent disability, like living healthier or being more careful.

Advisors may be anticipating what objections they will hear from *some* consumers. But this “disability divide” seems to indicate that more consumers may be receptive to income protection than advisors assume, or that the objections consumers give to advisors may not represent their true feelings.

% of consumers who agreed with this statement

% of advisors who *thought* consumers would agree with this statement

83%

“It can happen to anyone at any time.”

35%

5%

“Disabilities happen infrequently.”

45%

3%

“Disabilities are the result of someone being careless.”

9%

6%

“Most disabilities can be avoided through healthy lifestyles.”

7%

Consumers believe others are vulnerable to disability at any age.

Advisors predict that consumers think the young are immune.

The majority of consumers don't see age as a huge factor in determining who is most likely to become disabled.

- Over 40% (43%) of all consumers believe disability is equally likely at any age.
- 7% percent of consumers even agreed that those *most* vulnerable to becoming disabled are in their 20s or 30s!
- However, when asked to estimate their own chances of becoming disabled (see chart below), many consumers viewed their *personal* odds as just one in 100.
- Consumers almost always believe the "other person's" risk of disability is higher than theirs, indicating denial of the real risk of income loss.

Advisors underestimate how many consumers think disability is a risk at any age.

- Under 20% (19%) of advisors predicted consumers think "disability could happen at any age."
- Even more advisors (41%) predicted consumers would see older people (those in their 50s, 60s or older) as most vulnerable to become disabled.

Many advisors may incorrectly assume that consumers simply don't think people in their 20s or 30s can become disabled. This study indicates that many consumers do think disability is an "ageless" concern — even though many still don't view it as a "personal" risk, as the chart below shows. So if advisors can find more effective ways of making this personal connection, they can find younger consumers to take steps to protect their financial security.

ODDS OF BECOMING DISABLED	CONSUMER PERCEPTIONS	ADVISOR PREDICTIONS	THE REALITY
1 in 100	44%	13%	Both consumers and advisors underestimate the actual chances of becoming disabled. The Social Security Administration estimates that 1 out of every 4 Americans entering the workforce today will become disabled before they retire.*
1 in 50	20%	17%	
1 in 25	14%	20%	
1 in 10	10%	19%	
1 in 5	5%	19%	
1 in 3	7%	12%	

*Supported by publicly available actuarial tables as well as by the Council for Disability Awareness' "Personal Disability Quotient" (PDQ) for males, 5' 10", 185 pounds, with no tobacco use and about average health. See www.whatsmypdq.org for details.

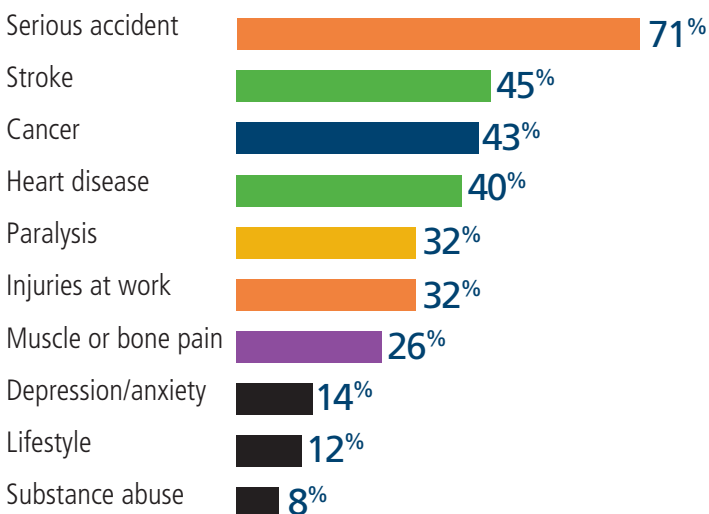
Consumers think most disabilities are caused by injuries.

Advisors claim most of their clients' disabilities are caused by injuries.

Consumers believe that accidents are the most likely cause of disabilities.

In general, consumers think disabilities are triggered by more “catastrophic” causes — like serious accidents, stroke, cancer, heart disease and paralysis. They tended to overlook more commonplace causes such as muscle or bone pain and chronic disease.

What consumers believe causes disabilities:



Attitudinal differences by gender/income

Men and women have somewhat different views of what triggers disability. In six out of 10 categories, women rated their own chances of becoming disabled lower than their male counterparts. But they think they're more likely than men to be disabled by an accident, cancer, muscle/bone pain and depression/anxiety.

While few consumers named lifestyle and substance abuse as likely causes of disability, it's interesting to note that both were cited more often by respondents who earn \$250,000 or more per year.

Advisors also think that injuries are the most common cause of disabilities.

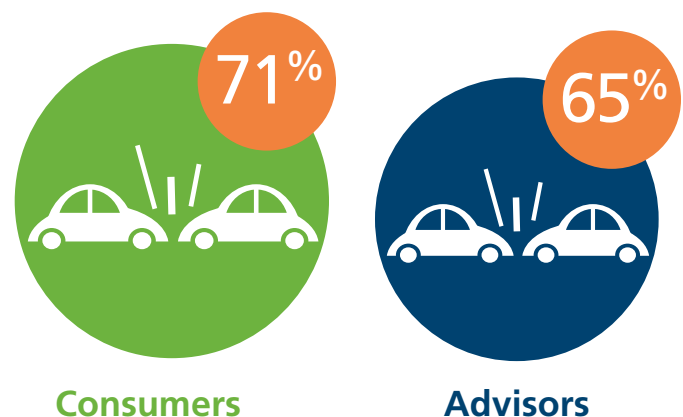
Most of the advisors in the study reported that at least one of their clients had become disabled. And when asked what caused their clients' disabilities, advisors' reports aligned with consumers' perceptions — but did not reflect industry statistics.

- 65% of individual advisors said their clients' disabilities would most likely be caused by injuries and accidents.
- 94% of group advisors said disabilities were either sometimes or often caused by injuries and accidents.

In reality, both advisors and their clients underestimate many of the leading causes of disability. As the data on the next page illustrates, musculoskeletal/connective tissue disorders such as back and neck pain and arthritis are far and away the leading causes of new long-term disability claims — followed by cancers, injuries, cardiovascular disorders and mental diseases.

CONSUMER/ADVISOR PERCEPTIONS

% of consumers and individual advisors who think disabilities are most likely caused by serious accidents



Source: The CDA 2011 Long-Term Disability Claim Review.

Statistics show most disabilities are caused by illnesses.

Disability insurance industry statistics reveal that only about one out of 10 long-term disabilities actually result from injury.

The CDA 2011 Long-Term Disability Claim Review reports:

- More than one out of four income-interrupting disabilities are triggered by muscle and bone disorders such as back problems, joint pain and arthritis.
- Cancer is the second leading cause of new disability claims, representing 15% of all new claims.
- Cardiovascular/circulatory problems have increased slightly and are now the fourth leading cause of new and third leading cause of existing disability claims.
- Over 95% of disabilities are not work related, and therefore not covered by workers' compensation.
- Lifestyle choices and personal behaviors that lead to obesity are becoming major contributing factors.

THE REALITY

% of long-term disabilities that were **ACTUALLY** caused by injuries and poisonings in 2010*



Actual Statistic

THE REALITY:

% of new long-term disability claims caused by each of the following*

- 28%** Musculoskeletal/Connective Tissue Disorders
- 15%** Cancer and Neoplasms
- 10%** Injuries and Poisoning
- 9%** Cardiovascular/Circulatory Disorders
- 9%** Mental Disorders
- 5%** Complications of Pregnancy and Childbirth
- 7%** Nervous System-Related
- 3%** Infections and Parasitic Diseases
- 3%** Digestive System-Related
- 2%** Respiratory System Disorders
- 2%** Genitourinary System Disorders
- 1%** Endocrine, Nutritional and Metabolic Diseases and Immunity Disorders
- 1%** Skin and Subcutaneous Tissue Disorders
- 5%** All Other

*"New" claims are those approved in the survey year.
Source: The 2011 CDA Long-Term Disability Claims Review.

Consumers think most disabilities will last a long time.

Advisors know that many disabled workers will return to work.

Nearly one out of three consumers expect that a disability would prevent someone from ever working again.

Based on the responses to this survey, consumers seem to have a rather catastrophic view of disability. In fact, more than two-thirds of consumers think that a disability would keep a person out of work for a year or more — and the largest segment within that group assumes most disabilities are permanent.

Perhaps because consumers overestimate the severity of disabilities they also underestimate the chance a disability may occur.

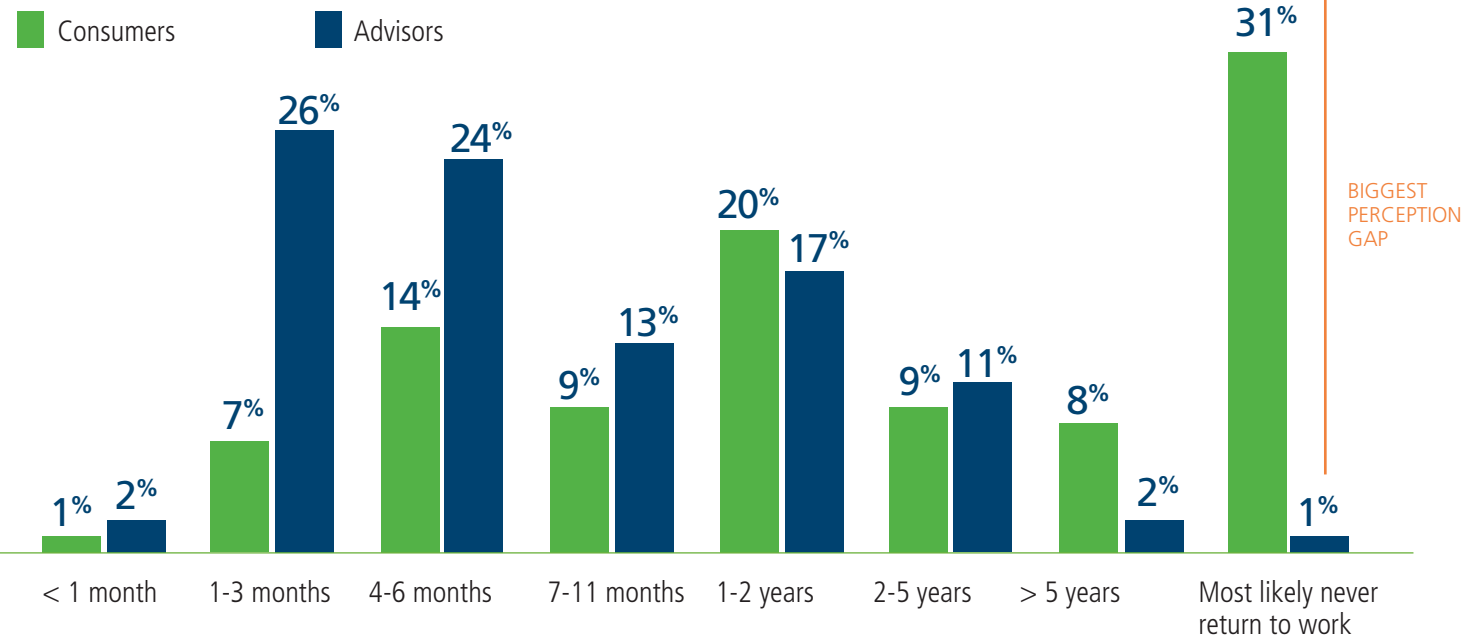
Advisors more accurately estimate that disabilities happen more frequently but may not be catastrophic or permanent.

Advisors are half as likely as consumers to believe that disabilities will last more than a year.

Group advisors (those who provide more workplace benefits), are even less likely to think disabilities will last very long. In fact, nearly one-third of all group advisors estimate that disabilities typically last between one and three months. That may be because many them are involved in short-term disability programs that result in shorter claims (e.g., maternity leaves) as well as because the average participant in a group plan tends to be younger and therefore may experience faster recovery times.

CONSUMER VS. ADVISOR PERCEPTIONS ABOUT DISABILITY DURATION

% of respondents who believe that a disability typically lasts the following lengths of time



The average long-term disability claim lasts just over 2.5 years.*

*2010 GenRe Disability Fact Book

Consumers think they'd rely on paid vacation/sick leave for income.

When asked what source they'd likely tap in the event they became disabled and couldn't work, over 40% of consumers said they'd rely on employer-funded sick/vacation leave.

Other perceived top sources of income include disability insurance payments, a spouse's or partner's income, and debt. But many of the sources cited are probably not sufficient to cover living expenses for an extended period.

Most consumers (65%) said they could not survive financially for more than one year without income.

What's also interesting to note is that Gen Y respondents were more likely than other groups to consider tapping into their retirement savings — not likely to be a significant asset at this stage in their careers.

CONSUMERS' TOP RANKED SOURCES

Sources of Income % ranked 1st, 2nd or 3rd highest

Paid vacation or sick leave

42%

Disability insurance payments

38%

Spouse/partner income

36%

Advisors predict consumers would sell their possessions.

Advisors predict their clients would rely on completely different income sources than those actually cited. In fact, consumers' top pick — sick pay and vacation — ranked seventh out of 10 choices on the advisors' list.

Interestingly, "disability insurance payments" ranked fifth on the advisors' list versus second on the consumers' list. Perhaps some consumers' overestimate their coverage — others think they have coverage when they really don't. Advisors typically recognize that many consumers' incomes are not well enough protected, or not protected at all. Most consumers have not thought much about how they would replace their most valuable financial resource — their income, and most overestimate their ability to maintain their lifestyle for any extended period of time should they suffer an income loss.

Recognizing that income protection planning is inadequate, advisors are far more pessimistic — or perhaps *realistic* — about how long consumers can last without income.

ADVISORS' TOP RANKED SOURCES

Sources of Income % ranked 1st, 2nd or 3rd highest

Selling possessions

55%

Help from family and friends

45%

Government programs

37%

One thing advisors and consumers agree on: Household savings are not adequate to continue to cover the bills.

Consumers don't think they are well prepared in case of disability.

Advisors assume consumers are more confident than they are.

While nearly all consumers say their ability to earn an income is most important, 37% say they have never really thought about protecting it.

When asked about how they've prepared for a potential disability, survey respondents generally admitted that they've not taken much action to prepare.

- Only 22% said they don't think about it because they have disability insurance.

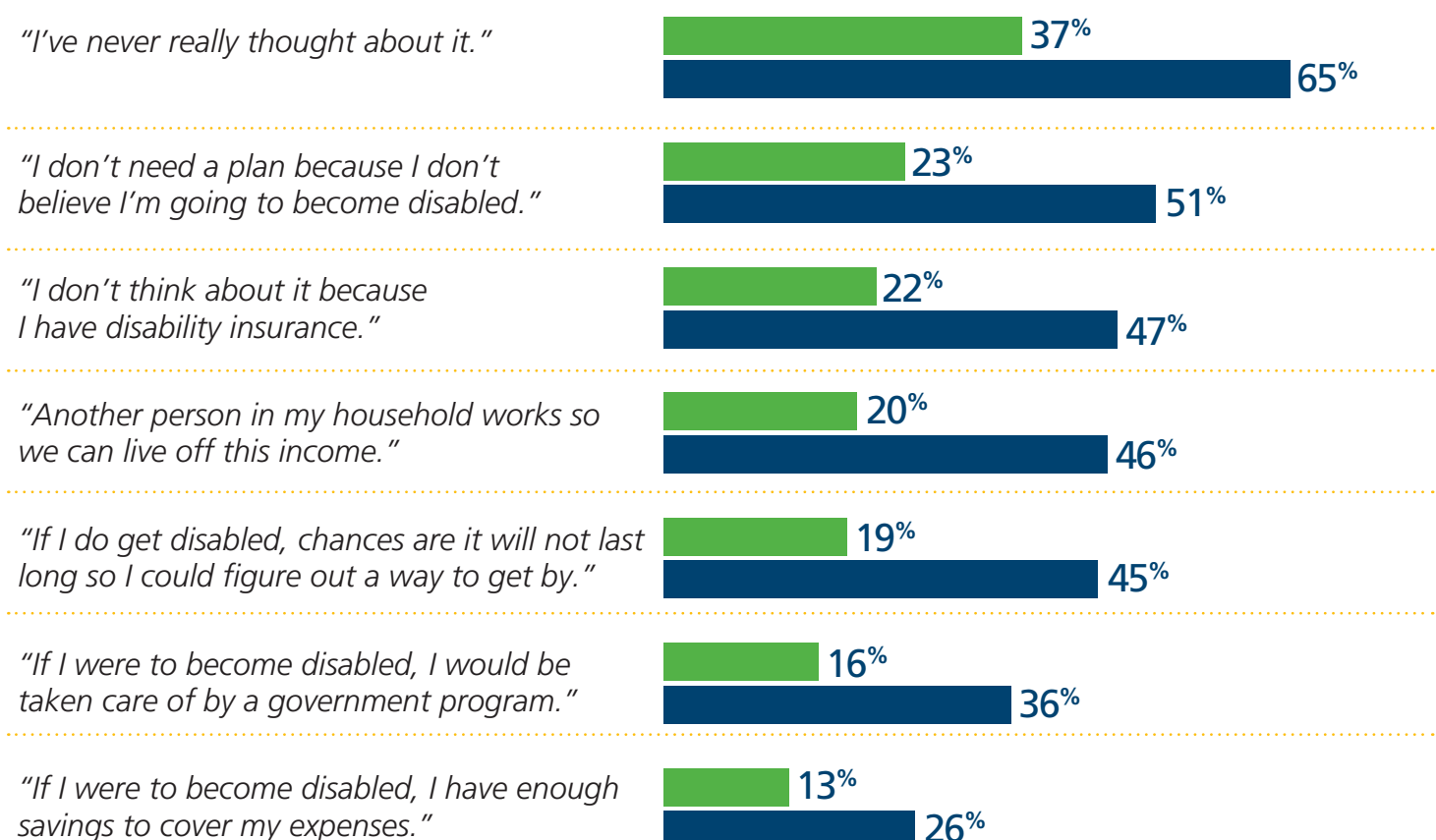
Advisors significantly overestimate how many consumers believe they could rely on their own resources, the government or insurance.

Advisors tend to think consumers are more "in denial" than they really are. Across *all* statements below, advisors expected twice as many consumers to deny their own risk of disability, minimize their need for protection or claim access to adequate resources if necessary. So consumers are likely feeling less confident and in control than they're projecting — or than advisors are assuming.

CONSUMER PERCEPTIONS/ADVISOR PREDICTIONS

% of respondents who are prepared for a disability

Consumers Advisors



Consumers think financial planning is important at all ages.

Advisors assume consumers are most receptive to income protection planning in their 40s.

Nearly two-thirds of consumers believe that it's important to start planning financially for a loss of income in their 20s or at any age.

- One out of every four consumers agreed that income protection planning is "important at any age."
- 42% said people should start planning "in their 20s."
- Only 13% of consumers said financial planning was only important once people had moved into their 40s and beyond.

Our sample of working Americans seems to crave more sound financial advice at younger ages. From this study, it's not clear how consumers define "financial planning." So it's critical that advisors position income protection as an essential cornerstone of all financial planning. Given that 90% of consumers in our previous consumer study rated their ability to earn an income as their most valuable financial resource, that may not be a hard sell.

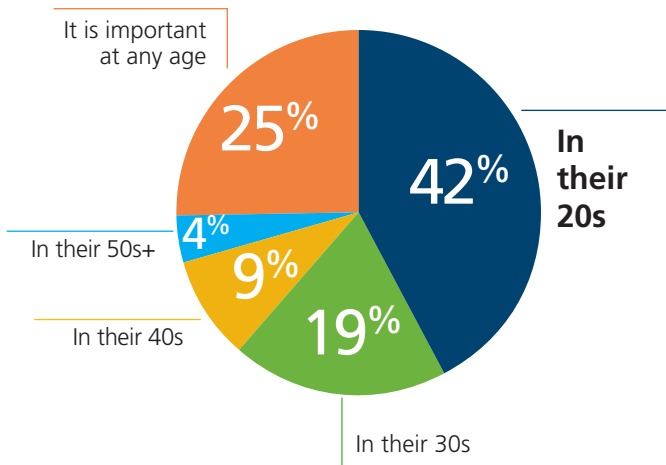
Advisors don't think consumers would be willing to discuss disability insurance until their 40s.

This area of the study represents one of the greatest divides between consumer attitudes and advisor perceptions of those attitudes. In general, today's consumers may be more receptive to the idea of financial planning at much younger ages than advisors expect. Nearly half of all advisors thought consumers would most value financial planning in their 40s — but almost as many consumers believed it is important to start income planning in their 20s.

These findings suggest there are opportunities for those advisors who can engage younger consumers in discussions about how to protect what they already believe to be their single most valuable asset — their ability to earn an income.

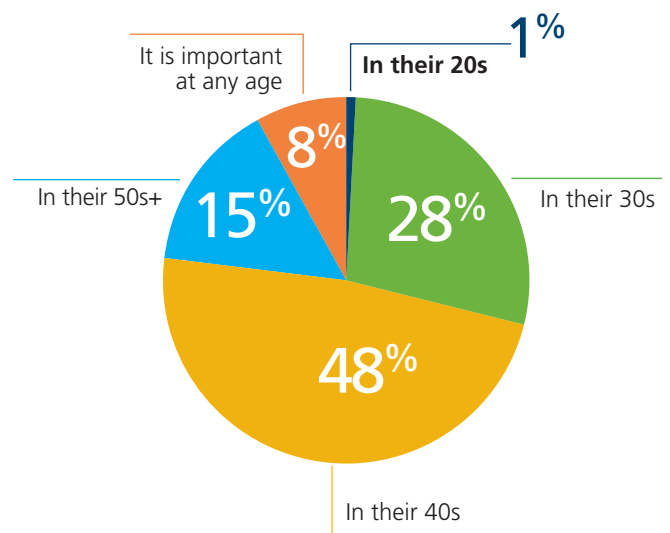
CONSUMER PERCEPTIONS

Age at which respondents think it's important to start financial planning



ADVISOR PREDICTIONS

Age at which advisors predict consumers think financial planning is important



CONCLUSION

The findings highlighted in this report suggest that there's significant opportunity for all financial advisors to better educate consumers about the risk of income loss from illnesses or accidents, and to better prepare them to mitigate this loss. Consider these steps to help consumers realize the devastating consequences of a disability — and enhance their financial preparedness.

Address the need for income protection at younger ages.

Remember that nearly 70% of consumers thought it was important for people to start planning for a loss of income either at any age or in their 20s! Again, this interest may be heightened by recent economic conditions, but it's important that advisors not project "yesterday's" views on "today's" consumers. There seems to be a real opportunity for advisors to engage even younger consumers in conversation about how they'd maintain financial independence even if an illness or injury prevents them from earning an income.

Make it personal.

Experts who study risk say when a risk is personified — when the victim is a real person — consumers perceive the risk is more likely to occur. Our study confirmed that consumers who knew someone who had become disabled also recognized their own chances as higher. Sharing real life stories about disability — and the consequences — may be the best way to connect with consumers about the risk of disability and the importance of income protection planning.

Review existing benefits.

Our findings showed that consumers generally have a poor understanding of their benefit programs and may incorrectly think inadequate sources such as vacation or sick pay will get them through an extended period without income. Spending time reviewing what income protection plans are in place, how each one works and the maximum benefit they're entitled to receive from each one is an important step. Determine their sources of post-disability income, and whether they will be sufficient to meet their financial obligations in the event that a disability forces them to stop working for a time.

Take action.

Although the survey showed that workers claim "disability can happen to anyone at any time," far too many haven't taken any steps to prepare themselves financially. Take responsibility for preparing consumers to take charge of their own health — both physical and financial. Once a disability occurs, it is often too late.

Make income protection the foundation of financial planning.

This study shows that consumers and financial advisors are in solid agreement that the ability to earn an income is an individual's most valuable financial resource. All financial independence — the ability to pay bills, maintain a lifestyle and save for the future — flows from income. Since income is indispensable, so is a carefully thought-out plan to replace that income in the event of loss.



Resources

www.whatsmypdq.org

www.disabilitycanhappen.org

email: feedback@disabilitycouncil.org

phone: 207-774-2634

www.disabilitycanhappen.org

