

Financial Advice For High Income Doctors – Part 2



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[Editor's Note: This is the second in a series of three posts regarding financial advice for high income professionals. An ongoing poll indicates that 28% of this site's readers have a household gross income of more than \$500,000 per year and 5% have an income of over \$1 Million a year. Some aspects of financial planning change in this higher income range. Today's post, by [Michael Relvas, CFP®](#), one of this blog's sponsors, addresses one of them, disability insurance. I'm sure he'll be more than happy to answer any additional questions you have about this topic or others related to disability insurance via the comments section, email, or by phone.]

While most physicians' earned income is low enough that traditional insurance carriers can independently offer adequate levels of individual disability insurance, higher income physicians may encounter restrictions. This article provides higher income physicians with a simplified explanation of how to optimize the amount of coverage that can be purchased on an individual basis.

Understanding Issue & Participation Limits

Individual disability insurance carriers adhere to Issue & Participation tables that limit the amount of monthly disability benefit offered for any given income level. The amount of monthly benefit a physician can purchase will primarily depend on his/her income but can differ among the various insurance carriers since each adheres to its own limitations. Prior to touching on policy design, it is helpful to better understand what Issue & Participation limits are:

The “Issue limit” is the maximum amount of monthly disability benefit that one company will consider issuing an individual applicant, giving consideration to all coverage applied for and already in force with THAT company.

The “Participation limit” is the maximum amount of monthly disability benefit that an insurance company will consider issuing an individual applicant, giving consideration to all coverage applied for and already in force with ALL companies.

Although each insurance carrier adheres to its own Issue & Participation tables, many of them will share similar limits. The current Issue limit for physicians with most companies ranges from \$15,000-\$17,000 and Participation limit ranges from \$20,000-\$30,000, but can be as great as \$35,000 if combined with employer-paid group disability coverage.

	Issue	Participation with Individual	Participation with Group
Guardian			
Occ Class 5m and 6m			
Age 18-55	17000	25000	25000
Age 56-60	15000	20000	25000
Age 61+	10000	10000	N/A
CA only, Age 18-55	16000	20000	25000
Occ Class 3m, 4m, 3D			

Age 18-55	17000	25000	25000
Age 56-60	10000	15000	15000
Age 61+	10000	10000	N/A
CA only, Age 18-55	16000	20000	25000
MetLife			
Occ Class 6m, 5m, 5d	17000	30000	35000
Occ Class 5i, 4m	15000	30000	35000
Ameritas			
Occ Class 6m, 5m, 4m	15000	25000	25000
Occ Class 3m	10000	15000	20000
Principal			
Occ Class 3A-M, 4A-M, 5A-M	15000	25000	25000
Standard			
Occ Class 2p, 3p, 4p	15000	20000	20000
MassMutual			
Occ Class 4p, 5p (not including CA and FL) Age 18-60	17000	25000	25000
Occ Class 4p, 5p (not including CA and FL) Age 61+	10000	10000	10000
Occ Class 3p (not including CA and FL) Age 18-60	15000	20000	20000
Occ Class 3p (not including CA and FL) Age 61+	10000	10000	10000

[Editor's Note: The occupational classes for each specialty vary by carrier, but the riskier occupations, such as surgeons, generally have lower numbers (2-4) than the non-procedural specialties, which are often 5-6. The "m" and "p" generally stands for medical/physician, the "d" stands for

dental, and the "a" is everyone else.]

Which Physicians Are Impacted?

A physician earning \$200,000 will have no problem securing the maximum benefit available for his/her income with one individual carrier, however physicians earning in excess of \$350,000 (the approximate income required to qualify for \$15,000 of monthly benefit) may begin experiencing restrictions with certain carriers. Since the highest Issue limit is currently \$17,000, physicians earning in excess of ~\$460,000 (the approximate income needed to qualify for \$17,000 of monthly benefit) will be limited when applying for an individual policy with any company.

In order for physicians with earnings in excess of \$460,000 to obtain the proportionate and adequate amount of individual disability insurance in relation to their income, two policies must be purchased from two separate insurance carriers. When two insurance carriers share in the risk, physicians can then purchase as much as \$20,000 – 30,000 of individual disability benefit (the appropriate benefit for incomes ranging from \$700,000 – \$1,225,000) and even \$35,000 when partially insured through an employer-paid group policy.

Since every insurance carrier adheres to their own Issue & Participation limits, some companies will allow for greater individual and joint benefit levels than others. Even physicians who already have existing policies and are looking to increase their coverage could benefit from evaluating their insurance carrier's Issue & Participation limits. There may be some advantage to exercising the Future Increase Option (a common rider added to most resident/fellow policies) in a particular order to maximize the potential benefit that can be secured. Simply put, it could be beneficial for high income physicians, looking to obtain the maximum amount of disability insurance available for their income, to work with an experienced agent/advisor who equally represents multiple

insurance carriers. There are substantial advantages to applying with some carriers versus others when one's objective is to secure the greatest disability benefit.

Disclaimer: The dollar amounts referenced are intended as examples and are not exact for every state and every insurance carrier. Policies, benefit levels and Issue & Participation limits are state and company specific – for state and company specific information you should speak with an agent who is licensed to sell disability insurance in your state. *[All of the specific information in this post is obviously subject to change by the insurance companies-ed]*

What do you think? Have you been told that you can't purchase as much disability insurance as you would like to purchase? What did you do about it? Comment below!