



Income Protection for Student Loan Obligations



Ryan
Age: 33
Occupation: Physician
Status: Single
Starting Salary: \$140,000
Student Loan Debt:
Borrowed – \$159,000
Monthly Student Loan
Payment: \$1846

Meet Ryan, Completing Medical Residency.

Ryan is finishing a five-year medical residency. For now, he's chosen to work in a clinic in another part of the state, where the cost of living is more reasonable.

Like so many of today's graduates, Ryan had to borrow money to finance his education — \$20,000 in student loans for his undergraduate education and another \$139,000 for medical school.

During this early-career period, Ryan's unpaid student loan balance is at its highest, while his salary of \$140,000 will be just beginning to grow. Should disability strike when Ryan is only a couple of years out of residency, a large loan balance would significantly heighten his financial pressures. Unlike many other types of debt, federal student loan obligations are not discharged in the event of bankruptcy.

How Can Ryan Mitigate Some of This Risk?

When helping Ryan understand options to tailor his individual disability income (DI) insurance to his specific needs, his insurance representative discusses optional Student Loan Protection in the event of total disability. This optional coverage offers protection for \$500-\$2,000 per month of student loan payments. Ryan's loans have a ten-year term and he will be repaying them at \$1846 per month.¹ He decides to protect virtually his full monthly payment, selecting \$1840 per month in protection. Even though Ryan has numerous student loans, adding this one option to his DI coverage lets him protect all of them.

Aren't His Student Loans Protected Already?

As a doctor, Ryan is well aware of the wide range of potentially disabling illnesses and injuries. He understands that while many of them could render him unable to work, a significant portion of those disabilities would not meet the requirements for loan discharge.

Under current law, federal student loans may be discharged for Total and Permanent Disabilities. These are defined as disabilities in which an individual is unable to engage in any substantial gainful activity, plus the disability is expected to last at least five years and result in death. Private loans may or may not include similar features.

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Employer DI Coverage

His new employer offers a very minimal group long term disability (LTD) plan. While it offers some base level of coverage, it does not cover his entire income, doesn't include coverage in his own specialty occupation, and offers no inflation protection. Buying an individual DI policy is a wise choice for Ryan as he expects his career to include multiple employers over time. Unlike most group LTD plans, individual DI is portable, meaning he can take it with him when he changes employers.

Ryan's Smart Choices

Interested in protecting as much of his income as he can, Ryan opts for a ProVider Plus policy with the maximum issue limit of \$17,000 — \$5,700 in base monthly income protection with a Future Increase Option (FIO) Rider of \$11,300.² The FIO Rider gives Ryan the opportunity to increase benefits as his income grows with no medical underwriting. The Student Loan Protection is in addition to the \$17,000, thus Ryan has a total of \$18,840 in protection. His policy choices include:

- Protection in his own **occupation and specialty**³
 - His base policy provides benefits for total disability when he is unable, due to illness or injury, to perform the material and substantial duties of his own occupation
 - Includes **specialty language** for physicians
- Adjustments to keep pace with inflation
- Benefits in the event of a partial disability and during recovery
- Lump sum benefit through which he could qualify for benefits after age 65 or 67
- Student Loan Protection of \$1840 per month

Ryan's disability income coverage choices provide strong protection at each life stage, from early career right up until retirement.

Make Sure Your DI Coverage Includes Student Loan Protection Now.

¹ Assumes interest rate of 6.8% on all loans and a level repayment plan.

² Restrictions and limitations apply. The amount of additional coverage available will be financially underwritten based on the amount of disability insurance you have or are eligible to receive, as well as your income at the time you apply.

³ See specimen contract for full details around specialty protection.

Disability insurance Policy Forms 1400, 1500 or 1600 underwritten and issued by Berkshire Life Insurance Company of America, Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America, New York, NY. Product provisions and availability may vary by state. Optional riders are available for an additional premium.

This rider provides coverage for a period of ten or fifteen years from Policy Date. When a qualifying total disability occurs, benefits are only payable during the remaining portion of the ten or fifteen-year term that has not elapsed when the disability begins.

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