

Protecting Your Assets and Lifestyle: A Critical Illness Insurance Review

If a serious illness strikes, how will you protect your assets and lifestyle from financial hardship?

Prepared for: **Public**

Table of Contents

	Page
Your Earning Power	2
Did You Know...	3
Ask Yourself...	3 - 4
Costs of Serious Illness	4
Sources of Funds to Help Financially Survive a Critical Illness	5
Potential Solution Using Critical Illness Insurance	6
What Critical Illness Insurance Is Not	7
How Critical Illness Insurance Works	8
Critical Illness Insurance Checklist	9
Important Information	10

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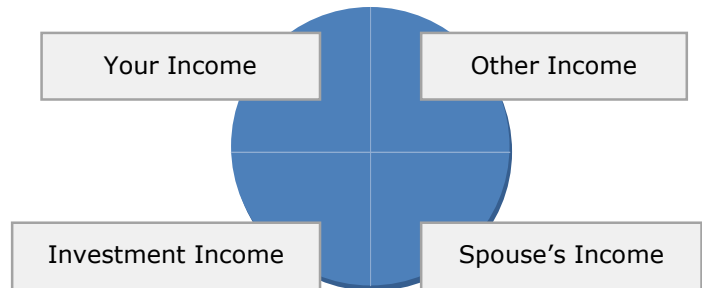
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Your Earning Power

Your earning power – your ability to earn an income – is your most valuable asset.

Earning Power:



Few people realize that a 30-year-old couple will earn 3.5 million dollars by age 65 if their total family income averages \$100,000 for their entire careers, without any raises.

How Much Will You Earn in a Lifetime?

Years to Age 65	Your Future Earning Power If Your Family Income Averages:			
	\$50,000	\$100,000	\$250,000	\$500,000
40	\$2,000,000	\$4,000,000	\$10,000,000	\$20,000,000
35	1,750,000	3,500,000	8,750,000	17,500,000
30	1,500,000	3,000,000	7,500,000	15,000,000
25	1,250,000	2,500,000	6,250,000	12,500,000
20	1,000,000	2,000,000	5,000,000	10,000,000
15	750,000	1,500,000	3,750,000	7,500,000
10	500,000	1,000,000	2,500,000	5,000,000
5	250,000	500,000	1,250,000	2,500,000

You've worked hard and used your earning power to provide for yourself and your loved ones.

If a serious illness strikes, however, how will you protect your assets and lifestyle from financial hardship?

Did You Know...

With advances in medical treatment and technology, many people now survive critical illnesses that would have been fatal in the past.

Cancer

- In the U.S., men have a slightly less than 1 in 2 lifetime risk of developing some form of cancer. For women, the lifetime risk is a little more than 1 in 3.
- Between 2002 and 2008, the 5-year relative survival rate for all cancers was 68%, up from 49% in 1975-1977.
- It is estimated that over 1.6 million new cancer cases were diagnosed in 2013.
- The National Institutes of Health estimates overall costs of cancer in 2008 were \$201.5 billion.

(Source: Cancer Facts and Figures 2013; American Cancer Society)

Heart Disease

- An estimated 80 million Americans have one or more types of heart disease.
- Each year, an American will suffer a heart attack about every 34 seconds.
- The lifetime risk for cardiovascular disease at age 40 is two in three for men and more than one in two for women.
- In 2008, the total cost of cardiovascular disease (coronary heart disease, hypertensive disease, heart failure and stroke) in the U.S. was estimated at \$448.5 billion. This includes direct costs such as costs of doctors, hospital services, medications, etc., and indirect costs such as lost productivity.

(Source: Heart Disease Facts, Centers for Disease Control and Prevention, July 2013)

Stroke

- Someone in the United States has a stroke every 40 seconds.
- Stroke is a leading cause of serious, long-term disability in the U.S.
- It is estimated that Americans paid about \$38.6 billion in 2008 for stroke-related medical costs and lost productivity.

(Source: Stroke Fact Sheet, Centers for Disease Control and Prevention, July 2013)

Ask Yourself...

If a life-threatening illness strikes you:

- How long can you survive financially without a regular paycheck?
- How will your regular bills be paid?

- Will you have sufficient funds available to pay for:
 - Any insurance co-payments and deductibles;
 - Alterations to your home and/or automobile to meet any special needs;
 - Out-of-town transportation and lodging for medical treatment;
 - Additional household and child care expenses;
 - Treatments not covered by traditional health insurance;
 - *and/or*
 - Shorter-term home health care during your recuperation?

Costs of Serious Illness

Heart Disease and Stroke

Our Nation's Leading Killers: Heart disease and stroke are the first and third leading causes of death for both men and women in the United States. On average, over 1,600 Americans die of cardiovascular disease each day, accounting for 1 in every 4 deaths, while every four minutes on average someone dies of a stroke.

Disabling: Every year, about 525,000 Americans have a first heart attack and 610,000 have a first or new stroke. Heart disease and stroke are leading causes of premature, permanent disability in the U.S. workforce, with nearly 4 million people reporting disability from these causes.

Costly: Heart disease and stroke were estimated to cost our nation \$448.5 billion in 2008, including health care expenditures and lost productivity from death and disability. Treatment of these diseases accounts for about \$1 of every \$6 spent on health care in the United States.

Sources: *Heart Disease Facts and Stroke Fact Sheet*, Centers for Disease Control and Prevention, July 2013

Cancer

The financial costs of cancer are great, both for the individual and for society as a whole. For the year 2008, the National Institutes of Health estimated overall annual costs for cancer as follows:

Total Cost: \$201.5 billion.

Direct Medical Costs: \$77.4 billion (total of all health care expenditures).

Indirect Mortality Costs: \$124.0 billion (cost of lost productivity due to premature death).

Source: Cancer Facts & Figures 2013; American Cancer Society

Sources of Funds to Help Financially Survive a Critical Illness

What Sources of Funds May Be Available to Help You Financially Survive a Critical Illness?

Source	Evaluation
Health Care Insurance	While health care insurance will cover a portion of the direct costs associated with a critical illness, these plans typically require payment of deductibles, coinsurance and/or co-pays, which can range from \$2,000 to \$10,000 or more in out-of-pocket costs to you before the plan provides 100% coverage. If you elect out-of-network care from a specialist or nationally-recognized hospital, you may face significant additional expense, plus the cost of travel and lodging. In addition, indirect expenses associated with recuperating from a critical illness, such as modifications to a home or vehicle, child care expenses and convalescent care, may not be covered. It is important for you to know what your health care plan will and will not cover before a critical illness strikes.
Disability Income Insurance	Disability income insurance benefits typically replace a portion of your income if you are sick or hurt and unable to work. If you are covered by disability income insurance, you need to know the answers to questions such as these: <ul style="list-style-type: none">■ How long must you be disabled before benefits begin?■ How much is the benefit you will receive?■ For how long will the benefit be payable?
Social Security Benefits	Assuming that you qualify, Social Security disability benefits do not begin until the sixth full month of disability and are generally not adequate to replace your earning power. In fact, the average monthly Social Security disability benefit received in 2011 was \$1,111. (Source: Annual Statistical Report on the Social Security Disability Program, 2011; released July 2012)
Savings and Investments	A single critical illness could consume the assets you've worked a lifetime to accumulate.

Ask yourself...if you suffered a critical illness and were out of commission for three to six months, would you be able to survive financially?

If the answer is no, there is a potential remedy...

A Potential Solution Using Critical Illness Insurance

Critical illness insurance is a source of funds you can use to help cover the indirect costs that arise when a serious illness strikes. By providing money when you need it most, upon diagnosis of a serious illness (as defined in the policy), critical illness insurance can help relieve worry about your finances so that you can focus on getting well.

Critical illness insurance pays you a lump sum of money upon diagnosis of a covered condition. This money is yours to use for **any purpose**, with no restrictions. For example, critical illness insurance proceeds can be used to pay:

- Mortgage or rent payments, as well as any other bills you may have;
- Health insurance deductibles, coinsurance and/or co-payments;
- The costs of receiving out-of-network medical treatment, including possible travel and lodging expenses;
- Treatments not covered by traditional health insurance;
- Child care expenses during treatment or hospitalization;
- Modifications to your home or vehicle; and/or
- Shorter-term home health care.

Since the premiums paid for critical illness insurance are not tax deductible, the benefits are not considered as income and are received 100% free of income tax.

Critical illness insurance helps you to survive financially while physically recovering from a serious illness!

What Critical Illness Insurance Is NOT

Critical Illness Insurance Is NOT:

Health Care Insurance

Health care insurance is designed to pay the direct costs of an accident or illness requiring medical care. In addition to your responsibility to pay required deductibles, coinsurance and/or co-payments, health care insurance is not intended to cover the indirect, non-medical expenses that can arise when a critical illness strikes...a role that critical illness insurance can play. **Critical illness insurance is not a replacement for health care insurance.**

Disability Income Insurance

The purpose of disability income insurance is to replace a stated percentage of monthly income lost from being unable to work as the result of an accident or illness. Monthly disability payments, however, may not be sufficient to pay your regular bills plus the additional expenses of a serious illness.

Life Insurance

While certain life insurance benefits may be available during life, such as policy cash values or accelerated death benefits, the primary purpose of life insurance is to provide financial security for your loved ones upon your death.

Long-Term Care Insurance

Long-term care insurance pays a stated daily benefit amount to cover the costs of nursing home care. Some policies also pay assisted living and home health care benefits for an insured who is impaired and needs assistance with the activities of daily living (eating, bathing, etc.).

Cancer Insurance

Cancer insurance plans pay only for the expenses related to cancer, typically reimbursing expenses incurred for cancer treatment received.

If an evaluation of your current insurance coverage and financial resources indicates that you would have difficulty surviving financially if a serious illness strikes, critical illness insurance may provide a remedy.

It is, however, important to understand how this insurance coverage works...

How Critical Illness Insurance Works

In evaluating a critical illness insurance policy, you need answers to questions such as these:

What Is Covered?

Critical illness insurance pays benefits upon the diagnosis of specified illnesses. A basic policy should cover at least heart attack, stroke and life-threatening cancer. A more comprehensive policy should also include other serious conditions, such as renal failure, multiple sclerosis, coronary artery disease, advanced Alzheimer's Disease and major organ transplant.

What Is the Benefit Amount?

The benefit amount is selected at the time the policy is purchased and, generally speaking, can range from \$10,000 to \$100,000 or more. The benefit amount is paid in a lump sum upon diagnosis of a critical illness covered by the policy. Since the premium paid increases as the benefit amount increases, it is important to evaluate your other sources of funds available in the event of a serious illness in order to more accurately determine the critical illness insurance benefit amount that is right for you.

When Is the Benefit Paid?

The critical illness insurance benefit is paid to you in a lump sum upon diagnosis of a critical illness covered by the policy. Some critical illness insurance policies pay a partial benefit, such as 25% of the maximum benefit, on the occurrence of certain specified treatments, such as coronary angioplasty or coronary artery bypass surgery. The policy usually terminates upon payment of 100% of the benefit.

Does the Policy Have an Elimination or Qualification Period?

Some policies require that for benefits to be payable, the policy must be in effect for a stated period of time, such as 90 days, before diagnosis of a covered critical illness is made.

The Checklist that follows is intended to assist you in evaluating critical illness insurance coverage and selecting a plan that is right for you.

Critical Illness Insurance Checklist

In purchasing critical illness insurance, it is important to select coverage that matches your needs and preferences. As you evaluate various policy features and benefits, however, keep in mind that the choices you make can affect the premiums you pay and the benefits you are entitled to receive.

Covered Illnesses	What serious illnesses are covered by the policy?
Benefit Amount	What is the lump sum amount payable upon diagnosis of a covered critical illness? Is the benefit amount payable in a single lump sum, or in specified percentages or amounts? If the benefit is payable in specified percentages or amounts, does the premium decrease accordingly?
Elimination Period	Is the benefit payable immediately after diagnosis of a covered critical illness? If not, how long must the policy be in effect before benefits become available?
Guaranteed Renewable	Can you renew the coverage for life, so long as you pay the premiums when due?
Premium Increases	Under what circumstances can the insurance company increase the premiums?
Death Benefit	Does the policy provide any kind of death benefit if you die without receiving any benefits?
Optional Coverages	Are there any optional coverages available, such as inflation protection or an accidental death benefit? Since optional coverages generally require payment of an additional premium, carefully evaluate the value of any optional coverages to you and your personal situation.

Important Information

The information, general principles and conclusions presented in this report are subject to local, state and federal laws and regulations, court cases and any revisions of same. While every care has been taken in the preparation of this report, neither VSA, L.P. nor The National Underwriter Company is engaged in providing legal, accounting, financial or other professional services. This report should not be used as a substitute for the professional advice of an attorney, accountant, or other qualified professional.

Critical illness insurance contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. All contract guarantees are based on the claims-paying ability of the issuing insurance company. Consult with your licensed financial adviser on how specific critical illness insurance contracts may work for you in your particular situation. Your licensed financial adviser will also provide you with costs and complete details about specific critical illness insurance contracts recommended to meet your specific needs and financial objectives

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