Saving Your Nest Egg

By SHARON EPPERSON

Saving for retirement is hard enough these days, but what would happen if you became disabled? If you cant work, you probably cant set aside retirement funds. And if you work for a company that matches your contributions, you would lose that investment as well. Disability insurance usually covers only 50% to 70% of your salary, but it doesn't pay the taxes owed on it.

LaBrecque, Jackson, Price & Roehl of Troy, Mich. Count on paying about 2% to 3% of your gross income for an individual disability policy with retirement protection, Knaus says. Costs will vary according to factors that affect any disability plan: your age, your health, the length of time you can wait before the benefit kicks in and the duration of the benefit. A typical candidate for such coverage is Michael Krencicki, a financial adviser and father of two in Troy who doesn't get disability insurance through his employer and wants the added retirement protection. "If I'm not making any earnings, I'm not making any contributions. So somewhere that has to be taken care of," he says. "The results of not having it—should you become disabled—would be catastrophic." 

Epperson is the personal-finance correspondent for CNBC.

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