



Group LTD vs. Individual Disability Income (IDI) insurance:

## Group LTD (like plans with the ADA/ASDA) vs. Individual Disability Income Insurance

Group LTD Benefit

**60–70%**  
of salary

Typical employer plan

IDI Benefit

**Up to 80%**  
of income

With additional riders

Group LTD Cost

**Low /**  
**Employer-**  
**paid**

Often free to employee

IDI Cost

**Higher**  
**premium**

But portable &  
customizable

Feature	Group LTD	Individual IDI
Portability	Lost if you leave employer (or stop being a member)	Stays with you
Definition of Disability	Own-occ (short term), then Any-occ	True Own-Occupation available
Benefit Taxability	Taxable if employer pays premium	Tax-free if client pays premium
Underwriting	Simplified / Guaranteed Issue	Full medical underwriting
Benefit Period	To age 65 (common)	To age 65 or 67 (customizable)
Elimination Period	90 days (typical)	30–365 days (flexible)
Benefit Amount	% of base salary only	Includes bonus/self-employment income
COLA Rider	Rarely included	Available
Future Increase Option	Not available	Available
Residual/Partial Benefit	Limited or none	Typically included
Mental/Nervous Limitation	Often 24-month cap	Varies by carrier
Customization	Very limited	Highly customizable

### **Critical Distinction**

"Own-Occupation" Definition Matters Most: Group plans often shift to an "any occupation" standard after 24 months — meaning benefits stop if you can do ANY job, not just your own. True own-occ IDI protects a surgeon, attorney, or specialist even if they can work in a different capacity.

### **Tax Impact**

Tax Treatment: If an employer pays the group LTD premium, benefits received are taxable income. With an individually owned IDI policy where the client pays premiums with after-tax dollars, benefits are received income tax-free — significantly impacting net replacement income.

### **Advisor Recommendation**

Best Practice: High-income clients, business owners, and professionals should layer IDI on top of (or instead of) group LTD to close the coverage gap and lock in portable, own-occupation protection.

## Key Takeaways

- Group LTD is a great low-cost baseline but has significant gaps — especially definition of disability, portability, and tax treatment.
- Individual IDI is the gold standard for income protection, particularly for high earners, specialists, and business owners.
- Stacking both is common: use group LTD as a base layer and IDI to fill gaps (especially above the group plan's benefit cap or for bonus/variable income).
- Watch for group plan benefit offsets — many group LTD policies reduce benefits dollar-for-dollar when an IDI benefit is paid, so policy coordination matters.
- When you buy disability income insurance you are locking in the rates at the age you purchase it



Request your **Individual Disability Income Insurance** quote and get started today!

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