



Understanding the value of your income

And how your income is protected

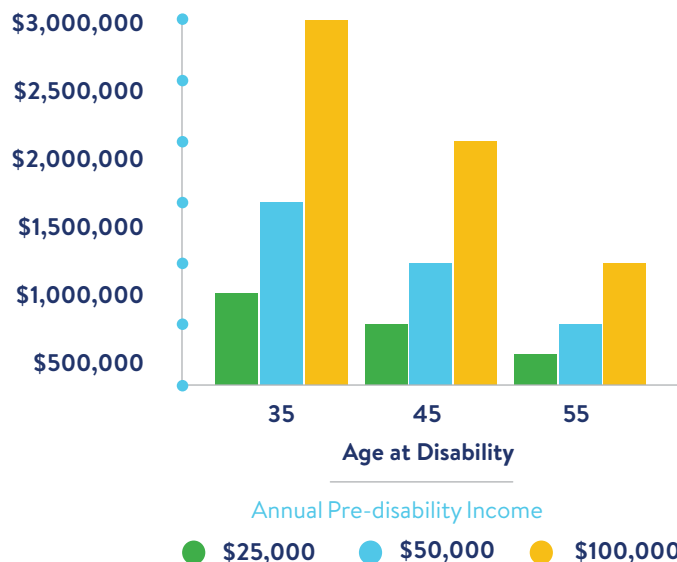


Protecting your income is a good decision

Many people, like you, understand how valuable income is. In its most basic form, income provides money for shelter, food, and clothing. But our income, as we all know, is anything but ‘basic.’ It isn’t just a paycheck. It’s usually the primary source of funding for every part of your life. Your income — when viewed over your entire career — is often your single, most important asset.

The figure below demonstrates the potential financial loss of future earnings of a 35-year old worker with an annual salary of \$50,000 who experiences a permanent disability. In this example, the loss may be up to \$1.5 million in potential earnings by age 65.

FINANCIAL LOSS POTENTIAL FROM DISABILITY



Think about your future earnings potential and how a disability may impact it.

BEYOND THE BASICS

Have you considered everything that your income funds? This is an essential first step in identifying not only your current needs, but your long term goals.

A simple way is to divide your life into four parts: **Self, Family, Community** and **Career**. In the chart below, begin to identify everything your income funds and get a better idea of what is truly important to you.

SELF	1 Mortgage/Rent	1 Child/Elder Care	FAMILY
	2	2	
	3	3	
	4	4	
	5	5	
	6	6	
	7	7	
	8	8	
	9	9	
	10	10	
COMMUNITY	1 Charitable Giving	1 Professional Growth	CAREER
	2	2	
	3	3	
	4	4	
	5	5	
	6	6	
	7	7	
	8	8	
	9	9	
	10	10	

How secure is your income?

Now that you know just how valuable your income is, are the plans you have in place already adequate to protect your most important asset?

Group Long Term Disability

Group Long Term Disability (GLTD) coverage through your employer replaces a portion of your income should you become too sick or hurt to work.

GLTD coverage is usually included as part of an employee benefits package, and in many instances, the premiums are paid for by the employer. A typical GLTD policy will replace about 60% of your base salary, up to a specific maximum monthly benefit limit (or 'cap'), such as \$5,000 per month.

In addition to monthly 'caps' on benefits payable:

- GLTD traditionally only covers base salary. This means bonuses and commissions are often excluded from GLTD benefit calculations.
- GLTD benefits are subject to income tax when the premiums are paid for by the employer.

Many of us are unaware of these limitations in a GLTD plan. The monthly caps, exclusion of bonus or commission income, and taxable disability benefits can make the actual GLTD benefits available much lower than you might realize.

Other limitations of GLTD are:

- Coverage may not be portable or available at the same rates if you change jobs or become unemployed.
- Because of 'caps,' GLTD may cover a lower percentage of income for those who earn higher salaries.



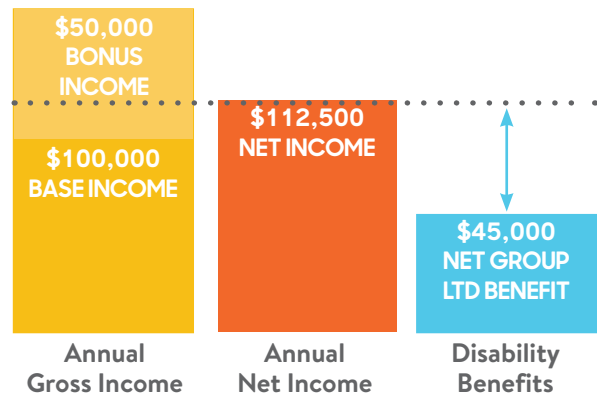
The DI Gap

The limitations of GLTD coverage all contribute to the 'DI Gap' – the difference between your current net income and the net GLTD benefits you would receive if you were to become too sick or hurt to work for an extended period of time.

Understanding the level of coverage provided by your GLTD plan is essential in accurately determining your DI Gap.

Be sure to refer to your GLTD plan document. You might be surprised to discover that you have a DI Gap.

DISABILITY INCOME GAP EXAMPLE



Above chart assumes a 25% tax rate and a GLTD plan paid for by the employer that covers 60% of salary to \$5,000 per month.

DI Gap Example

John works for a mid-sized corporation as a sales manager. Assume John became disabled for an extended period of time and his current GLTD plan has a 180 day waiting period. After the waiting period, John received 12 months of benefits from his current GLTD plan. Assuming an effective tax rate of 25%, the net benefit payment of the GLTD plan is \$45,000.

JOHN'S INCOME AND BENEFITS

Annual Base Salary:	\$100,000
Annual Commissions/Bonus:	\$50,000
GLTD Benefits Payable:	60% of salary, up to \$5,000 per month
GLTD Premiums:	Employer Paid (GLTD Benefits are Taxable)
GLTD Covers	
\$100,000 Base Salary:	\$60,000
\$50,000 Bonus Commissions:	\$0

IN THIS SITUATION, THE DI GAP FOR JOHN IS AS FOLLOWS:

Net Earnings		\$112,500
Net GLTD	–	\$45,000
DI Gap	=	\$67,500

Assumes an effective tax rate of 25% on \$150,000 in salary + bonus, and a GLTD plan paid for by the employer that covers 60% of salary up to \$5,000 per month. Individual tax rates may vary.

How can you help reduce the DI Gap?

To help reduce the DI Gap, you may consider an individual disability income (DI) insurance policy.

An individual DI insurance policy can cover a portion of your earned income if you become too sick or hurt to work.

Determining your DI Gap

Use the following worksheet to help determine your DI Gap.

HOW SECURE IS YOUR MOST VALUABLE ASSET?

ENTER your annual take-home pay (after taxes) from wages and salaries from all jobs you hold	\$
ADD your annual contributions to a tax-deferred payroll savings plan, such as a 401(k) or 403(b)	+
ADD any annual pre-tax contributions that you make to a flexible-spending account to help meet medical or child-care costs	+
ADD any bonuses, commissions or freelance income	+
Your Total Income	\$
MULTIPLY by this figure, an estimate of the income you would need to protect	x 0.75
Your total disability income insurance need	\$
SUBTRACT the annual after-tax benefit of your group LTD plan, if any ¹	-
The additional disability income insurance coverage you need²	\$

Once your annual DI Gap is identified, refer back to the expense chart on page 1. In the event of a disability, which expenses should you continue funding (i.e. housing, food, insurance), and which may you no longer be able to support?

¹ If your employer pays for your group LTD, you can estimate the after-tax benefit by multiplying the benefit by 0.75.

² Actual coverage available is subject to MassMutual®'s issue and participation limits.

Secure a larger portion of your income.

Individual DI insurance from Massachusetts Mutual Life Insurance Company (MassMutual) is a personal protection solution available to you that, when used to supplement your employer provided GLTD, can help replace a larger portion of your income* — including bonuses or commissions.

While no disability income insurance policy, or any combination of policies, will cover 100% of your income, supplementing your GLTD coverage with individual DI insurance can help you minimize the DI Gap.

A DI policy:

- Can be used to supplement existing GLTD — and increase overall protection.
- Can cover bonuses and commissions (not typically included in GLTD coverage).
- Offers benefits that are usually tax-free.
- Is fully portable — you own it and can take it with you wherever your career may lead.
- Is non-cancelable to age 65. The premiums will not change (provided coverage is not increased), and the contract cannot be canceled by MassMutual except for lack of timely premium payments.
- Can provide recovery benefits when you return to work.
- Can provide benefits to help you pay expenses, such as mortgage, credit card or car payments, or save for retirement.
- Offers a wide selection of policy features and benefits to help meet your unique and changing needs.

YOUR INCOME IS THE FOUNDATION OF EVERY FINANCIAL STRATEGY YOU PUT IN PLACE.

A financial professional can help you assess your situation, and make recommendations for a DI insurance solution. Help ensure your most important asset is protected.

*This supplemental individual disability income insurance does not coordinate with your group long term disability coverage. Claim decisions are rendered independent of each other.



The information provided is not written or intended as specific tax or legal advice. MassMutual, its subsidiaries, employees, and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

Disability income insurance policies issued by **Massachusetts Mutual Life Insurance Company**, Springfield MA 01111-0001.

Policies have exclusions and limitations. For costs and complete details of coverage call your insurance agent or MassMutual at **1-800-272-2216**.

