

## **The Financial Blind Spot: Incorporating Disability Planning into Every Conversation**

Certain topics can be difficult to broach with clients. Delivering bad news such as “You can’t afford to retire yet”; addressing sensitive life events such as death, divorce, or job loss; managing family conflicts; and challenging bad financial habits or unrealistic expectations rank high on that list.

Many of these tough talks involve revealing a client’s behavioral blind spots such as unconscious patterns, assumptions, or risks that may be obvious to an advisor but invisible to the client. But one of the most significant blind spots often remains unaddressed in planning discussions: the risk of disability.

Death is a topic that most clients can tolerate when it remains abstract, distant, and financially focused. Disability, however, can be harder to confront, even though its financial impact is often greater, more immediate, and more disruptive.

Disability is not limited to something a person is born with. It can affect anyone, at any age, at any income level, and under almost any circumstances. By thoughtfully raising this uncomfortable topic and helping clients intentionally anticipate and mitigate disability-related risks, advisors can deepen trust and demonstrate value around one of life’s most consequential what-ifs.

### **The Ever-Present Risk of Disability**

For many people, death may feel like something that reliably arrives in old age, not as an imminent or unpredictable risk. That perception can change abruptly. The first loss of a close friend or family member often reshapes how people think about death and dying—and sometimes prompts them to put their own affairs in order.

The COVID-19 pandemic was one such moment. Heightened awareness of illness and mortality combined with the need to manage healthcare directives triggered a surge in estate planning as millions took steps to protect their loved ones; for many, though, that sense of urgency has now receded.

Most Americans dramatically underestimate both the very real risk and the significant financial consequences of disability.

- The Social Security Administration estimates that about 1 in 4 20-year-olds will experience a disability lasting 90 days or more before reaching age 67.<sup>1</sup>
- About 13 percent of Americans are classified as disabled,<sup>2</sup> yet two-thirds of workers believe their own risk of long-term disability is just 1 or 2 percent.<sup>3</sup>

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<sup>1</sup> Soc. Sec. Admin., Disability Benefits, Pub. No. 05-10029, at 5 (Feb. 2025), <https://www.ssa.gov/pubs/EN-05-10029.pdf>.

<sup>2</sup> Rebecca Leppert & Katherine Schaeffer, *8 Facts About Americans with Disabilities*, Pew Rsch. Ctr. (July 24, 2023), <https://www.pewresearch.org/short-reads/2023/07/24/8-facts-about-americans-with-disabilities>.

<sup>3</sup> Allan Checkoway, *Chance of Becoming Disabled*, in *A Lawyer’s Guide to Filing Long-Term Disability Claims and Appeals 1, 2* (2020), <https://www.americanbar.org/content/dam/aba-cms-dotorg/products/inv/book/346779304/Sample.pdf>.

- According to the US Department of Health and Human Services (HHS), more than half of Americans turning 65 will develop a disability serious enough to require long-term services and supports.<sup>4</sup>
- Illness, not accidents, is the leading cause of disability, and mental health conditions account for roughly 1 in 10 long-term disability cases.<sup>5</sup>
- Households with a disabled working-age adult need 28 percent more income on average, or an extra \$17,000–\$18,000 annually, to maintain the same standard of living due to higher expenses for healthcare, equipment, personal care, housing, and lost earnings.<sup>6</sup>

Although many disabilities are temporary, a significant share are not. About 1 in 5 adults (22 percent) will have a disability for more than five years.<sup>7</sup>

The longer somebody is disabled, the more it impacts their finances. Estimates suggest that a 35-year-old who earns \$75,000 annually and suffers a permanent disability could lose up to \$2.25 million in potential earnings by age 65,<sup>8</sup> and a disability beginning at age 45 could result in more than \$1 million in lost lifetime income.<sup>9</sup>

### **Making Planning Decisions Before Disability Strikes**

Because incapacity can strike without warning, clients need to have incapacity planning in place **before** it becomes necessary, not after.

Legal capacity is required to create most estate planning materials, and documents executed after capacity has been lost may be challenged or invalidated.

Delaying planning can also have severe financial consequences because it may necessitate additional costly legal procedures at a time when care expenses may be rapidly mounting as income and savings decline. For many households, even a short disruption can be destabilizing.

- Roughly three-quarters of Americans live from paycheck to paycheck, leaving little margin to absorb the financial shock of disability, especially a prolonged one.<sup>10</sup>

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<sup>4</sup> HHS Off. of the Assistant Sec’y for Plan. and Evaluation, Research Brief: Long-Term Services and Supports for Older Americans: Risks and Financing, 2022, at 1 (Aug. 2022), <https://aspe.hhs.gov/sites/default/files/documents/08b8b7825f7bc12d2c79261fd7641c88/ltss-risks-financing-2022.pdf> [hereinafter ASPE Research Brief].

<sup>5</sup> *Uncomfortable Truths About Disability That May Surprise You*, MassMutual 175 (Sept. 15, 2023), <https://blog.massmutual.com/insurance/disability-surprising-facts>.

<sup>6</sup> The Extra Costs of Living with a Disability in the U.S. — Resetting the Policy Table, ndi, <https://www.nationaldisabilityinstitute.org/reports/extra-costs-living-with-disability> (last visited Feb. 25, 2026).

<sup>7</sup> ASPE Research Brief, *supra* note 4, at 1.

<sup>8</sup> *Uncomfortable Truths About Disability That May Surprise You*, *supra* note 5.

<sup>9</sup> *Id.*

<sup>10</sup> *Number of Americans Living Paycheck to Paycheck Has Increased*, PR Newswire (Sept. 14, 2022), <https://www.prnewswire.com/news-releases/number-of-americans-living-paycheck-to-paycheck-has-increased-301624801.html>.

- Nearly 4 in 10 cannot cover an unexpected \$500 expense, let alone sustained increases in healthcare, housing, or caregiving costs.<sup>11</sup>
- Approximately 50 million adults lack disability insurance beyond Social Security,<sup>12</sup> and the average monthly Social Security benefit for a disabled worker is under \$2,000 per month.<sup>13</sup>
- Since most Americans have no estate plan, they lack powers of attorney and other critical disability and incapacity documents, forcing loved ones to pursue costly legal proceedings to get authority to access finances or make care decisions.

Advisors can frame the disability discussion around these financial pressure points and help clients evaluate proactive planning steps such as

- powers of attorney (POAs) to avoid court involvement during incapacity;
- adequate funding of trusts, so they function not only at death but also during periods of disability;
- accessible emergency funds sized for duration in addition to one-time surprises; and
- income replacement and disability insurance to address prolonged earnings disruption.

Other considerations include ensuring authority during short-term disability and coordinating employer benefits with public programs to prevent gaps or unintended consequences such as the loss of means-tested government disability benefits like Supplemental Security Income (SSI).

Disability planning, like all effective planning, should match the client's life conditions. Wealth level, family structure, employment status, and existing benefits all shape what proactive disability planning looks like in practice. A young professional focused on income protection, a midcareer parent juggling competing responsibilities, and a retiree managing longevity risk will each face different vulnerabilities and have different planning priorities.

Individually tailoring disability conversations reinforces that this type of planning is not alarmist, worst-case thinking. It is realistic personal preparation for a statistically supported possibility.

Done right, disability planning becomes another way to integrate protection, continuity, and trust into every client relationship to strengthen long-term engagement and retention.

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<sup>11</sup> Fed. Rsv. Bd., *Economic Well-Being of U.S. Households in 2023*, at 37 (May 2024), <https://www.federalreserve.gov/publications/files/2023-report-economic-well-being-us-households-202405.pdf>.

<sup>12</sup> *Illness or Injury—and the Accompanying Financial Challenges—Can Happen to Anyone*, CDIA, <https://thecdia.org/the-risk-is-very-real> (last visited Feb. 25, 2026).

<sup>13</sup> *Social Security Disability Benefits Calculator*, Disability Advice, <https://disabilityadvice.org/ssdi-calculator> (last visited Feb. 25, 2026).