

Is Your Income Protected?

How To Safeguard It Against Unexpected Earnings Loss

What if you unexpectedly lost your source of income? Are you financially prepared?

It's most people's worst nightmare. Yet, many have not taken the steps necessary to protect their biggest asset: **their earning potential**.

Your ability to earn income is what allows you to pay for basic necessities like food, housing, and healthcare, as well as save for future goals like education, travel, or retirement. By preparing for the unexpected, you can pursue new opportunities without worry. Saving an emergency fund or investing in disability insurance can add valuable safety nets. Here we cover a few tips to build greater financial resilience so you can better handle whatever life throws your way.

The Hidden Risks That Could Impact Your Earning Potential

Did you know?

Over [1 in 4 of today's 20-year-olds will become disabled before they retire](#). Contrary to popular belief, accidents are not the leading cause. Illnesses like cancer or heart disease or back injuries are the major reasons for long-term work absences.

Disability, injury, and illness are not the only risk to your earning potential. You might also:

- Get laid off, fired, or switch jobs
- Start or lose your own business
- Become a parent or caregiver
- Experience loss from a natural disaster

Without your income—even just temporarily—you and your family could have difficulty paying even the smallest bills. According to a 2021 survey conducted by the [Council for Disability Awareness](#), more than one in four Americans would run out of savings in less than a month if they were unable to work due to a disability. Additionally, about one-third of those surveyed said they would be unable to pay their bills after just one month of disability and 60% of respondents would exhaust their savings in six months or less.

Quick Fixes To Safeguard Your Income

You can take measures to protect your earnings and reduce the effects of a temporary setback.

Consider these proactive strategies to protect you in the event of a minor accident, brief illness, or temporary unemployment:

- **Build emergency savings:** The rule of thumb is to save at least three to six months of living expense needs.
- **Cut or reduce debt:** Get rid of any outstanding balances and high interest credit cards.
- **Establish a home equity line of credit:** Pay down your mortgage to borrow against in an emergency.
- **Opt into short-term disability insurance:** See if you have immediate coverage through your employer.
- **Borrow against retirement accounts:** Consider whether you can take a loan out on your 401k and what that entails.

Advanced Strategies for Protecting Your Income

If a death, illness, or disability becomes a permanent reality, here are other strategies you can explore:

- **Long-term disability insurance:** Maintain your income for an extended time or until retirement.
- **Life insurance:** Along with providing a death benefit to the family, some policies offer optional disability riders.
- **Retirement savings:** While a last resort, retirement savings can support a long-term disability.
- **Diversifying investments:** Balancing your portfolio helps protect your savings from market risks.
- **Passive income streams:** Rental income, dividends, or online business can create a stable foundation.

A financial advisor can talk you through all your options. Ultimately, protecting your earning potential is about more than protecting yourself from the consequences of a sudden loss of income. It's about giving yourself the freedom and flexibility to live the life you want.

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