Individual Disability Income Insurance

Help Protect Your Income and Financial Future
Why protect your income?

THE NEED .................................. 1-12

AFFORDABILITY AND VALUE ....................... 13-21

SUPPLEMENT OTHER INSURANCE ............... 22-23
How solid is your financial foundation?

Income is the foundation of a solid financial strategy. Without it, everything else, including your plans for the future, could crumble.
You insure your home and car, but what about your most valuable asset — your income?

Your income is your most valuable asset.

1 “Average new car price zips 2.6% to $33,560”, www.usatoday.com, May 4, 2015.
3 Projected cumulative income of a 35-year-old earning $6,250/month ($75,000 annually), assuming a 5% annual increase to age 65.
What is your earnings potential?

What would you do if you were too sick or hurt to work? If you’re like most people, you probably couldn’t take an “early retirement” and maintain your current lifestyle.

Potential earnings to age 65
(with 5% annual salary increases)

<table>
<thead>
<tr>
<th>AGE</th>
<th>$50,000</th>
<th>$75,000</th>
<th>$100,000</th>
<th>$150,000</th>
<th>$200,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>$4,516,000</td>
<td>$6,774,000</td>
<td>$9,032,000</td>
<td>$13,548,000</td>
<td>$18,064,000</td>
</tr>
<tr>
<td>35</td>
<td>3,322,000</td>
<td>4,983,000</td>
<td>6,644,000</td>
<td>9,966,000</td>
<td>13,288,000</td>
</tr>
<tr>
<td>40</td>
<td>2,386,000</td>
<td>3,580,000</td>
<td>4,773,000</td>
<td>7,159,000</td>
<td>9,545,000</td>
</tr>
<tr>
<td>45</td>
<td>1,653,000</td>
<td>2,480,000</td>
<td>3,307,000</td>
<td>4,960,000</td>
<td>6,613,000</td>
</tr>
<tr>
<td>50</td>
<td>1,079,000</td>
<td>1,618,000</td>
<td>2,158,000</td>
<td>3,237,000</td>
<td>4,316,000</td>
</tr>
<tr>
<td>55</td>
<td>629,000</td>
<td>943,000</td>
<td>1,258,000</td>
<td>1,887,000</td>
<td>2,516,000</td>
</tr>
<tr>
<td>60</td>
<td>276,000</td>
<td>414,000</td>
<td>553,000</td>
<td>829,000</td>
<td>1,105,000</td>
</tr>
</tbody>
</table>

Income protection is coverage you can’t afford NOT to have.
### How would you replace your lost income?

<table>
<thead>
<tr>
<th>SAVINGS</th>
<th>OTHER INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Even if you save 10% of your income, one year of disability could easily wipe out many years of savings.</td>
<td>Could you maintain your standard of living without placing additional strain on yourself and your family?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SOCIAL SECURITY</th>
<th>BORROW</th>
</tr>
</thead>
<tbody>
<tr>
<td>The average monthly benefit is $1,146.¹ To qualify, your disability must be expected to last at least 12 months or end in death. In addition to other requirements, you must be unable to engage in any occupation.</td>
<td>Would a bank lend you money if you were disabled and unable to work?</td>
</tr>
</tbody>
</table>

---

¹ Social Security Administration, Social Security Basic Facts, April 2014, ssa.gov.
Chances of a disability may be greater than you think

The chances of having at least one disability before age 65:

<table>
<thead>
<tr>
<th>AGE</th>
<th>MALE</th>
<th>FEMALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>25%</td>
<td>36%</td>
</tr>
<tr>
<td>35</td>
<td>24%</td>
<td>32%</td>
</tr>
<tr>
<td>40</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>45</td>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>50</td>
<td>19%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Average length of a long-term disability:

<table>
<thead>
<tr>
<th>AGE</th>
<th>PROBABILITY (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>11</td>
</tr>
<tr>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td>40</td>
<td>16</td>
</tr>
<tr>
<td>45</td>
<td>22</td>
</tr>
<tr>
<td>50</td>
<td>35</td>
</tr>
<tr>
<td>55</td>
<td>72</td>
</tr>
</tbody>
</table>

Chances of being disabled for 5+ years if disabled for 3 months:

Source: 2013 Valuation Table Workbook developed by the Individual Disability Tables Working Group (IDTWG), sponsored by the Society of Actuaries.
Disability plays no favorites

The causes of disability may surprise you: Over 90% are caused by medical conditions, not injuries like many think. Here’s a breakdown (by percentage of claims) of some typical reasons an individual may become disabled:

Source: Principal Life Disability insurance claims payments issued in 2014. The above is for illustrative purposes only and is not intended as an inclusive representation of all claims.
Q: Which one of these people has a disability?

A: Any one of them could.

Most disabilities aren't things we can see. Instead, they are caused by conditions like back pain, arthritis, depression and cancer.
## Sample disability claims

<table>
<thead>
<tr>
<th>OCCUPATION</th>
<th>ISSUE AGE</th>
<th>AGE AT DISABILITY</th>
<th>CONDITION</th>
<th>AMOUNT</th>
<th>MONTHS ON CLAIM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative manager</td>
<td>38</td>
<td>41</td>
<td>Chronic Fatigue Syndrome</td>
<td>$317,489</td>
<td>259</td>
</tr>
<tr>
<td>Bank teller</td>
<td>24</td>
<td>37</td>
<td>Lower Back Pain</td>
<td>$18,208</td>
<td>21</td>
</tr>
<tr>
<td>Chief operating officer</td>
<td>44</td>
<td>52</td>
<td>Cornea Disease</td>
<td>$238,474</td>
<td>59</td>
</tr>
<tr>
<td>Commercial insurance sales</td>
<td>45</td>
<td>46</td>
<td>Chronic Pain Syndrome</td>
<td>$75,333</td>
<td>21</td>
</tr>
<tr>
<td>ER physician</td>
<td>34</td>
<td>37</td>
<td>Back Disorder</td>
<td>$49,187</td>
<td>11</td>
</tr>
<tr>
<td>Financial advisor</td>
<td>43</td>
<td>49</td>
<td>Cirrhosis</td>
<td>$230,267</td>
<td>65</td>
</tr>
<tr>
<td>Hardware support technician</td>
<td>33</td>
<td>38</td>
<td>Migraine</td>
<td>$158,500</td>
<td>130</td>
</tr>
<tr>
<td>Legal secretary</td>
<td>37</td>
<td>48</td>
<td>Back Disorder</td>
<td>$246,380</td>
<td>173</td>
</tr>
<tr>
<td>Radiology technician</td>
<td>59</td>
<td>63</td>
<td>Pelvic Fracture</td>
<td>$20,625</td>
<td>35</td>
</tr>
<tr>
<td>Senior pastor</td>
<td>49</td>
<td>51</td>
<td>Depression</td>
<td>$252,114</td>
<td>61</td>
</tr>
<tr>
<td>Surgeon</td>
<td>42</td>
<td>45</td>
<td>Lupus</td>
<td>$114,903</td>
<td>18</td>
</tr>
<tr>
<td>Vice president</td>
<td>49</td>
<td>52</td>
<td>Panic Disorder</td>
<td>$507,500</td>
<td>149</td>
</tr>
</tbody>
</table>

Source: Active Principal Life Disability claims payments as of 8/31/15. The above is for illustrative purposes only and is not intended as a comprehensive representation of circumstances surrounding the claims displayed, an inclusive representation of all claims, or a promise to pay specific claims.
Are you protecting your most important asset?

It’s important to insure your home and car. But, it’s also important to have other risk protection solutions in place, including disability income insurance. Here is a comparison of these coverages:

<table>
<thead>
<tr>
<th></th>
<th>Auto Insurance¹,²</th>
<th>Homeowners Insurance³,⁴</th>
<th>Income Protection⁵</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average CLAIM VALUE</td>
<td>$2,375 (one-time payment)</td>
<td>$10,271 (one-time payment)</td>
<td>$30,000 (over 2½ years)⁶,⁷</td>
</tr>
<tr>
<td>Average ANNUAL PREMIUM</td>
<td>$900</td>
<td>$1,034</td>
<td>$348</td>
</tr>
</tbody>
</table>

¹ Table 36 Auto Insurance Database Report, National Association of Insurance Commissioners, 2014.
² “Average Car Insurance Rates” dmv.org, July 2015.
⁵ Assumptions: Principal Life Individual DI Insurance policy, Michigan resident, to age 65 Benefit Period and Your Occupation Period, non-tobacco, $1,000 maximum monthly benefit, 90-day Elimination Period, 3A occupation class.
⁶ $30,000 is the total payout of a $1,000/month benefit policy claim that pays for 2½ years, the average long-term disability claim length, according to the Gen Re U.S. Insurance DI Risk management survey 2011, based on claims closed in 2010. (most recent stat).
⁷ The policy offers the potential to pay ongoing monthly benefits until the end of the benefit period; To age 65 or 67 benefit period is the most common.
Could you afford your home without your income?

Help protect your ability to pay your mortgage with Individual Disability Income insurance.

62% of Americans have no emergency savings.¹

1 in 5 Americans will struggle to pay medical bills this year.²

1 in 4 of today’s 20-year-olds will become disabled before they retire.³

¹ “Most Americans are only one paycheck away from the street,” Market Watch, January 2015.
² “Nerdwallet Health finds medical bankruptcy accounts for majority of personal bankruptcies,” nerdwallet.com, March 2013
³ Social Security Administration, Fact Sheet, February 2014.
Which plan would you prefer?

What would you do tomorrow if you could no longer work and earn an income? Do you have a “Plan B” that provides for you and your family?

<table>
<thead>
<tr>
<th>PLAN A</th>
<th>PLAN B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual salary</td>
<td>Annual salary</td>
</tr>
<tr>
<td>$100,000* if working (before taxes)</td>
<td>$98,600* if working (before taxes)</td>
</tr>
<tr>
<td>$0 Income while too sick or hurt to work</td>
<td>$60,000* Income while too sick or hurt to work from your DI insurance policy (after taxes)</td>
</tr>
</tbody>
</table>

What is your Plan B?

If you become too sick or hurt to work, what is your Plan B? For a small percentage of your salary, Principal Life can help protect your most valuable asset – your ability to work and earn an income.

*100,000 less $1,400 in hypothetical annual disability income insurance premiums. Premiums and $5,000 monthly benefit amount depend on various factors. Your local representative can illustrate the exact amount you’re eligible for based on current underwriting guidelines. This a hypothetical example only.
Unfortunately, if you’re not working, you’re not earning a paycheck.

When a disability strikes, expenses increase

What would your financial future look like if you became too sick or hurt to work? Would you have to rely on family or friends?

Healthy and working

Disabled and not working

Income

Savings

Expenses

Expenses during a disability

During a disability, regular expenses continue:

- Food
- Housing
- Cars
- Utilities
- Internet
- Child care
- Student loan payment
- Insurance premiums
- Savings for retirement
- Plus, much more

Plus, there may be additional disability-related expenses:

- Insurance co-pays
- Medical expenses not covered by insurance
- Treatment travel expenses
- In-home care
- Home modifications
- COBRA premiums
Create a balanced health insurance plan

Health insurance helps cover:
- Hospital bills
- Doctor’s bills
- Medications
- Other medical treatments

If you have a qualifying disability, DI insurance helps provide funds for:
- Food
- Clothing
- Housing
- Student loan payments
- Transportation
- Personal technology
- Insurance premiums
- Saving for retirement
- College education
- Medical expenses not covered by health insurance
- Much, much more!
Peace of mind

If you woke up in the hospital tomorrow, how complete would your “mental checklist” be?

- EMERGENCY CONTACT
- HEALTH INSURANCE
- SICK LEAVE
- LIFE INSURANCE
- CHILD CARE
- OTHER (PET SITTER, LAWNCARE, ETC.)
- INCOME PROTECTION
The value of income protection

Let’s look at a hypothetical example that illustrates the affordability of income protection compared to car insurance:

<table>
<thead>
<tr>
<th>CAR INSURANCE</th>
<th>PAYCHECK PROTECTION³</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Car</strong> – a depreciating asset</td>
<td><strong>Income</strong> – an appreciating asset</td>
</tr>
<tr>
<td>• 2014 Chevrolet Equinox LS: $17,000 trade-in value¹</td>
<td>• $150,000 annual income; $6,900 monthly Individual DI benefit</td>
</tr>
<tr>
<td>• $75 per month premium for car insurance – 19% of the car’s trade-in value²</td>
<td>• $230 per month premium for an Individual DI insurance policy – 1.8% of annual income</td>
</tr>
</tbody>
</table>

Comparing the cost of Individual DI insurance to the cost of car insurance is for illustrative purposes only. Disability insurance and car insurance serve distinct coverage purposes and have different risk profiles. No company of the Principal Financial Group® offers car insurance.

¹ 20,000 miles, excellent condition, as seen on www.kbb.com, July 2015.
³ Principal Life Insurance Company policy for a non-tobacco, Colorado resident, 40-year-old male, 5A occupation class, 90-day elimination period, to Age 65 Your Occupation and Benefit Periods, Residual Disability and Recovery Benefit rider, 10% Select Occupation Discount.
Affordable protection

A Principal Life Individual Disability Income (DI) insurance policy can be designed to meet your budget and specific needs.

For less than what most people spend on incidental “necessities” each month (coffee, cellphone, internet service, etc.), you could own a policy that helps protect your income.

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$16</td>
<td>$26</td>
</tr>
<tr>
<td>30</td>
<td>$20</td>
<td>$36</td>
</tr>
<tr>
<td>35</td>
<td>$23</td>
<td>$39</td>
</tr>
<tr>
<td>40</td>
<td>$29</td>
<td>$47</td>
</tr>
</tbody>
</table>

To estimate your premium for a larger benefit amount, complete the following:

Sample of coverage Estimated monthly premium from chart

\[
\text{Sample monthly premium from chart} \times \text{Multiple of coverage (e.g., 3 for $3,000)} = \text{Estimated monthly premium}\]

Assumptions: Principal Life Individual DI Insurance policy, Michigan resident. To Age 65 Benefit Period and Your Occupation Periods, non-tobacco, $1,000 maximum monthly benefit, 90-day Elimination Period, 3A occupation class.

See how much coverage you may need – with cost estimates at principal.com/dicalc.

* Your specific premium depends on a variety of factors, including, but not limited to, gender, age, smoking status, benefit amount, elimination period, resident state and occupation class.
Not protecting your income could have a real cost.

What are your priorities?

Which of life’s wants is most important to you?

<table>
<thead>
<tr>
<th>A daily cup of premium store-bought coffee</th>
<th>Date night</th>
<th>Cable service</th>
<th>High-speed Internet</th>
<th>Smartphone service</th>
</tr>
</thead>
</table>

These wants wouldn’t be possible without your income. What would happen to your income if you become too sick to work?

Take a look at your budget. With the average Individual Disability Income insurance policy costing only **1 to 3%** of your income, you may find you can afford the income protection you need and the everyday things you want.
How long could you pay bills without your income?

Many Americans are poorly positioned financially should illness or injury interrupt their ability to work and earn an income.

How long wage earners estimate they can continue to pay bills if they lose their income.

- Less than a month: 3%
- 1 to 2 months: 13%
- 3 to 4 months: 27%
- 5 to 6 months: 20%
- Over 6 months: 37%

Source: The Principal Financial Well Being IndexSM: Employees, 1st Quarter 2014.
Get a discount when co-workers purchase paycheck protection

If two or more employees of your company purchase an Individual DI policy from the same financial professional that sold you your policy within 12 months of your purchase, everyone receives the cost savings! Here’s an example:

<table>
<thead>
<tr>
<th>AGE</th>
<th>$1,000 MONTHLY BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$18/month</td>
</tr>
<tr>
<td>35</td>
<td>$25/month</td>
</tr>
<tr>
<td>45</td>
<td>$38/month</td>
</tr>
</tbody>
</table>

Assumptions: Michigan resident, To Age 65 Your Occupation and Benefit periods, 90-day Elimination Period Residual and Recovery Benefit rider, 5A occupation class, non-tobacco.
Do you buy a cup of coffee each day?

For the price of a daily cup of premium store-bought coffee, you could purchase an Individual Disability Income (DI) insurance policy that provides a monthly paycheck if you become too sick or hurt to work.

$3.95 a day  =  $3,000 monthly “paycheck”*

Daily premium for an Individual DI policy

* Assumptions: 40-year-old male, Michigan resident, $100,000 annual income, To Age 65 Benefit Period and Your Occupation Period, non-tobacco, $3,000 Maximum Monthly Benefit, 90-day Elimination Period, 3A occupation class. DI insurance cannot be purchased for a daily premium; illustration of concept only.

Disability insurance has limitations and exclusions. For cost and coverage details, contact your Principal Life representative.
Continued contributions – no disability
Disability at age 40 – contributions cease

$1.2M loss

Assumptions: $2,000/month contributions beginning at age 30, 5% rate of return and age 65 retirement.
Potential loss due to disability at age 40 without continued contributions to retirement savings.

DI Retirement Security is issued as non-cancelable, guaranteed renewable, individual disability income insurance policy. It is not a pension or retirement program or a substitute for such a program. DI Retirement Security is not available for anyone who is over insured based on Principal Life’s current Issue and Participation guidelines. It may not be available or the benefit may be reduced for certain occupations if there is existing DI coverage with lifetime benefits. Additional underwriting guidelines may apply.
Can you live on 42% of your income?

While employer-paid benefits are valuable, the typical group long-term disability (LTD) insurance benefit is only about 60% of regular income. And that benefit is usually taxable. Consider supplementing your LTD benefit with individual disability income insurance. Together, the two help protect a greater percentage of your income if you become too sick or hurt to work.

![Chart showing income percentages after LTD and DI]

Chart based on $6,250 gross monthly income ($75,000 annual), with 60% group long-term disability program, assuming a 30% tax bracket for Federal, State and FICA.
Do you have waiver of premium on your life insurance policy?

This rider\(^1\) ensures that your life insurance policy will not be cancelled if a disability prevents you from earning an income and paying your premiums. Why is this important? The average long-term disability absence lasts more than 2½ years.\(^2\)

What provisions have you made for other financial obligations?

Before you:
- Sell assets
- Drain your bank accounts or retirement savings
- Strain your relatives’ cash reserves (and relationships)
- Attempt to obtain a bank loan

…consider Individual Disability Income insurance from Principal Life Insurance Company. It provides a monthly “paycheck” to help you cover monthly expenses if an accident or illness prevents you from working.

\(^1\)Depending on the type of life insurance policy you purchase, there may be an additional cost for this rider.

This information is provided with the understanding that The Principal is not rendering legal, accounting or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

Disability insurance has limitations and exclusions. For costs and coverage details, contact your Principal Life representative.