



# The Great Resignation: Planning for the Unexpected

Disability Income Coverage for an Employee or Independent Contractor

Over the past two years, COVID changed the world and forced companies to alter the way they do business. As the country began emerging from the pandemic, a strong job market and low unemployment rates have led to “The Great Resignation” – an environment in which employees are taking advantage of new opportunities and changing jobs at record rates.

Many companies and employees are also reevaluating their working relationships, including whether they want to be considered “employees” or “independent contractors.” Each option has benefits and downsides for both sides. If clients are considering making this type of change, they should be aware of the difference between the two:



Almost **48 MILLION** people quit their jobs in 2021.



In Q4 of 2021, **33% OF EMPLOYEES** actively looking for new work. Another **11% planned to look** in Q1 of 2022<sup>1</sup>



**OVER 16 MILLION AMERICANS** – more than **1 out of every 10** workers in the U.S. – are self-employed<sup>2</sup>

	EMPLOYEE	INDEPENDENT CONTRACTOR (IC)
<b>INCOME TAXATION</b>	<ul style="list-style-type: none"> <li>• Receives W-2</li> <li>• Income reportable on Form 1040 income tax return</li> <li>• Employer withholds taxes from wages throughout the year</li> </ul>	<ul style="list-style-type: none"> <li>• Receives 1099</li> <li>• Income reportable on Schedules C and SE, in addition to Form 1040</li> <li>• No taxes withheld</li> <li>• Calculate and pay quarterly estimated taxes</li> <li>• Able to deduct business expenses</li> </ul>
<b>EMPLOYMENT TAXES</b>	<ul style="list-style-type: none"> <li>• Employer and employee each pay ½ of FICA (Social Security and Medicare) taxes<sup>3</sup></li> <li>• Employer pays FUTA (federal and state unemployment) taxes</li> </ul>	<ul style="list-style-type: none"> <li>• IC pays all FICA taxes<sup>3</sup> (50% of self-employment taxes paid may be deductible)</li> </ul>
<b>BENEFITS</b>	<ul style="list-style-type: none"> <li>• May be eligible for employer sponsored benefits, including health, life, and disability income insurance, and qualified retirement plan</li> </ul>	<ul style="list-style-type: none"> <li>• Not eligible for employer sponsored benefits, paid time off, or overtime</li> <li>• Independently purchase benefits</li> <li>• Fund own retirement savings account</li> </ul>
<b>WORK ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Employer determines how, where, and when work is done</li> <li>• Employer provides tools/equipment to complete the work</li> <li>• Usually works full-time</li> </ul>	<ul style="list-style-type: none"> <li>• Contract for a specific role or task</li> <li>• Set own hours and use own tools</li> <li>• Provide own general liability, E&amp;O, or professional liability insurance</li> </ul>
<b>LEGAL PROTECTIONS</b>	<ul style="list-style-type: none"> <li>• Access to protections under U.S. labor law, (minimum wage, benefits, protection from discrimination)</li> <li>• Eligible for workers’ compensation and state unemployment insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Not covered/eligible for ER workers’ comp or unemployment insurance</li> </ul>

<sup>1</sup> Willis Towers Watson’s 2022 Global Benefits Attitudes Survey

<sup>2</sup> Bureau of Labor Statistics

<sup>3</sup> FICA taxes include Social Security tax rate of 12.4% on the first \$137,700 of wages paid, and Medicare tax rate of 1.45% on the first \$200,000 of wages; the employee is also subject to an additional 0.9% for wages above \$200,000

While it may be relatively easy to find health care coverage or set up a retirement plan, replacing an employer-provided disability income insurance benefit is often overlooked by independent contractors. A Radius Choice individual disability income (DI) insurance policy from MassMutual is essential personal protection that can help replace a portion of a client’s income – including self-employment income – with tax-free benefits, should they become too sick or injured to work for an extended period of time.

**EXAMPLE:** Bob and Frank are independent contractors who work in the same industry. They are both 40 years old and make \$200,000 per year. Bob is healthy and can’t imagine a situation where he would not be working, so planning for disability is not a priority. Frank, concerned about his ability to earn an income if he is unable to work for an extended period of time, decides to purchase a disability income policy.



<b>BOB</b>	<b>FRANK</b>
Age 40	Age 40 NT 5A
Annual Income = <b>\$200,000</b>	Annual Income = <b>\$200,000</b>
DI Premium amount = <b>\$0 (no coverage)</b>	DI Premium amount <sup>4</sup> = <b>\$3,016.44/yr. or \$260/mo.</b>
Monthly benefit = <b>\$0</b>	Monthly benefit (after 90-day WP) = <b>\$9,150</b>

At age 55, Frank is diagnosed with an illness that keeps him from working for 4 years during his treatment and recovery. Fortunately for Frank, his DI protection provided \$411,750 in tax-free benefits (45 months of benefits after the 90-day waiting period).



Contact Advanced Sales at **1-800-601-9983 Option #2**  
or email [MMSDAdvancedSales@MassMutual.com](mailto:MMSDAdvancedSales@MassMutual.com)

<sup>4</sup> Example based on a Radius Choice policy, male, issue age 40, non-nicotine. Occ Class 5A, \$9,150 monthly benefit to age 65, after a 90-day waiting period, and an Extended Partial Disability Benefits Rider and Benefit Increase Rider.

**FOR FINANCIAL PROFESSIONALS. NOT FOR USE WITH THE PUBLIC.**

New York policies: This policy provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio for this policy is 51.0 percent. This ratio is the portion of future premiums which the company expects to return as benefits, when averaged over all the people with this policy.

Radius Choice (policy form #XLIS-RC-15 et al and ICC15-XLIS-RC in certain states including North Carolina) is issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001.

