

Income Protection

Can you afford not to be covered?

Why do I need income protection insurance? Doesn't Workers Compensation cover me?

What is income protection?

Income protection is a way of protecting your income in the event that sickness or injury stops you working.

Income protection will help put food on the table and petrol in the tank. It will stop the bank from foreclosing on your mortgage, keep school fees paid and generally give you the means to maintain a reasonable standard of living if you are not able to earn your income.

Why do I need it?

A common misconception is that income protection is only beneficial to those who are self employed. Anyone who earns an income should consider income protection.

When you think about how your lifestyle would be affected if your income stopped, it may be quite a risk not having your income protected.

Consider how much you earn. Multiply that by how many years you have until retirement, and then add a factor for inflation and pay increases. You could be risking hundreds of thousands of dollars if you were to suffer a long term medical condition with no form of protection.

What if I just continue taking my chances?

Recent statistics show that on an average day in Australia:

- 214 people are diagnosed with cancer
- 41 people undergo coronary artery by-pass surgery, and

- 35 people between the age of 35 and 69 will survive a heart attack.

During their working life:

- 60% of Australians will be disabled for more than one month, and
- more than 25% of Australians will be disabled for more than three months.

But won't my sick leave cover it?

It's a common belief that sick leave will protect you if you are off work.

Once all your sick leave is used, your employer is no longer obligated to support you. How long will your personal savings last if you have a long term condition? Social Security may be an option, but these benefits may amount to a fraction of your current income.

A reliable and practical answer is to create your own independent contingency plan through a personal income protection policy.

What about Workers Compensation?

Most people believe that if they are permanently disabled, they will receive a lump sum from WorkCover.

However, the fact is that over half of all serious injuries happen outside of work where WorkCover doesn't apply.

That's not including that 57% of disability claims are for sickness, which aren't covered by WorkCover for non-work related sickness.

Even if you are able to claim Workers Compensation, the restrictions on benefit payments are such that you may never

be able to retain your current standard of living.

Most income protection plans will allow you to cover 75% of gross earned income.

This is to maintain a standard of living comparable to that which you would have while working.

How does income protection work?

With all income protection policies there is the waiting period and the benefit period.

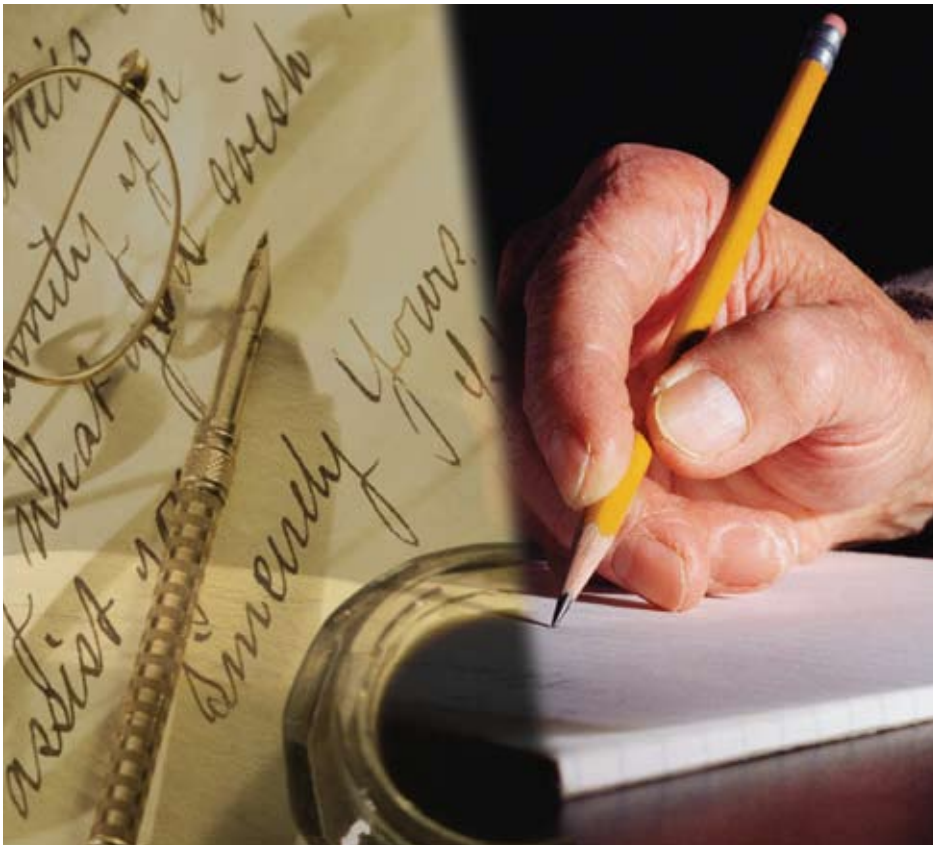
The waiting period acts like an excess on your car insurance in that the greater the waiting period, the lower the premium. During this period you self-insure the first instance of sickness or accident through your sick leave or your own means.

After that, if you satisfy qualification conditions, your benefit payments begin. Benefits will continue for as long as you continue to satisfy claim conditions, up to a maximum of your benefit period. This should ideally be for the remainder of your working life - usually to age 65, although other alternatives are available.

What if I'm not at work or on holidays?

Income protection gives you around the clock cover anywhere around the world, regardless of where you are when you become incapacitated.

Applying for income protection insurance is simple if you get the right advice. The first step is to talk to a financial adviser about how to assess your needs and what type of cover will suit you best.



Estate Planning. Reviewing your Will.

You should review your will regularly. It should always be reviewed if there is a change in family circumstances such as a birth or a death, a marriage or a divorce.

The setting up of a new business or the setting up of a family trust or superannuation fund may also require the review of an existing will. In these circumstances, care needs to be taken to ensure the financial and taxation effects of these structures are recognised in your will.

Trusts and superannuation funds control assets and their control may fall outside your will.

Careful planning is required to ensure assets held in these entities go to the beneficiaries you intend.

A trust can be established in your will. This is called a testamentary trust and comes into effect after death. A testamentary trust can be of benefit for asset protection and tax savings for your beneficiaries, but care should be exercised as they do not suit all circumstances.

You should discuss these matters with your accountant at your next visit.

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