



Income protection

Maintaining your lifestyle

- Are you employed or self-employed?
- Would you have a back-up source of income if you were unable to work?
- How long could you live off your savings alone?

What is income protection?

If you're like most people, your way of life is at least partially dependent on your ability to work. Therefore, an extended absence because of sickness or injury could be devastating to your lifestyle, and that of your family.

Income protection is designed to help in such circumstances — replacing your income if you are unable to work as a result of sickness or injury.

The maximum cover is usually 75% of earnings. However, optional additional benefits may be available.

What this means for you

The benefit paid by income protection can help you keep up with all of the expenses your income usually takes care of. That includes things like mortgage repayments, groceries and your regular bills.

This money also means you don't have to rely on family and friends, government assistance, or leave entitlements from your employer — none of which are guaranteed to provide a sufficient level of financial support.

It's important to note that benefit payments for income protection usually don't start immediately, as a waiting period can apply during which no benefit is payable (this could range from 14 days up to two years).

Exclusions may apply for certain events.

Insurance policies will often vary in their features and benefits, so you should work with your financial adviser to choose a policy that suits your needs and your budget.

What are the chances?

- According to the Lifewise/NATSEM Underinsurance statistics, some 17,000 working age parents suffer an illness or injury every year so severe they are forced to stop working¹.
- One in three will be disabled for more than 3 months during their working life².

Few people can afford any major financial setbacks in their life, which is why it is important to speak to a financial adviser now to ensure you and your family are protected.

¹ The LIFEWISE/NATSEM Underinsurance Report, February 2010.

² Institute of Actuaries of Australia 2007.

Case Study

Jenny and Paul both were both working full-time and earning a combined income of \$160,000. With no children, they were working hard to build their nest egg and pay down their significant mortgage.

When Paul was diagnosed with a potentially life-threatening heart condition, his doctor told him he urgently needed surgery. He also faced the prospect of up to six months off work.

If Paul didn't have income protection, the couple would have faced the prospect of surviving on Jenny's income alone. They would also have to pay Paul's out-of-pocket medical expenses on top of the mortgage repayments and everyday bills.

Fortunately, Jenny and Paul had spoken to their financial adviser about protecting their lifestyle in the event of sickness or injury. As a result, they had both taken out income protection and trauma insurance.

Because he was unable to work, Paul's income protection paid him a monthly benefit equivalent to 75% of his regular salary until he returned to work. Paul's heart condition was also an insurable event under his trauma insurance — meaning the couple received a lump sum of \$150,000.

This money helped the couple with their mortgage repayments, and pay all of Paul's hospital bills. It also allowed Jenny to take some unpaid leave to look after Paul at home.

As Paul and Jenny's story show, insurance like income protection can play a vital role in helping keep your family afloat financially if you are unable to work due to injury or illness.

Need help

For more information on determining your insurance needs, please speak to your financial adviser.