

Income protection insurance



Protect the jewel in the crown – your ability to earn

What is income protection insurance?

If your lifestyle is, fully or partially dependant on your ability to work, an extended absence through sickness or injury could be devastating to you and those who are dependant on you.

Income protection insurance will replace your income up to the insured benefit amount of the policy. Generally speaking the maximum cover you can affect is 75% of earnings (after business expenses, but before tax); however, ancillary benefits can be obtained on top of this to protect your superannuation contributions and also to protect you in case of a severe sickness or injury.

Benefit payment is usually excluded if you suffer a sickness or injury as a result of:

- war or an act of war;
- a self-inflicted act; or
- uncomplicated pregnancy.

Also, in many cases benefits will be adjusted if you receive payments from sick leave, social security, workers compensation or other legislative sources.

However, policies can differ and you need to check the specific conditions that apply to any contract you are considering.

What is wealth advice?

Wealth advice is support and guidance on the best way to manage all your finances. Whether it's adjusting your debts to minimise repayments, saving for a home or a holiday, investing money, planning for your retirement, maximising pension entitlements or ensuring your family are protected if something happens to you, the right advice from the right people will help you achieve your goals faster and more effectively.

It is also important to remember that benefit payments usually do not start immediately; an excess or waiting period will apply during which no benefit is payable. The waiting period can be as short as 14 days or as long as two years.

Once benefits start, payments are usually made monthly in arrears. The maximum period of time that payments continue is called the benefit period. A range of benefit periods are available — some as short as one year, with the longest continuing through to your 65th birthday. Work with your adviser and choose a policy that suits your needs and your budget.

What are the chances of becoming totally disabled as a result of a sickness or injury?

More than 60% of Australians will be disabled for more than one month during their working life.

More than 15% will be disabled for more than three months during their working life.

Source: IAD 1989-93 and ALT 90-92

How does income protection insurance fit into my insurance portfolio?

Term life insurance provides a lump sum payment for your family to ensure that the plans you had for them can be achieved. It also enables the financial obligations of your business to be met.

Business expenses insurance reimburses the owner of a small, self-employed business for ongoing, fixed business expenses that continue to accrue while the owner is unable to work because of a sickness or injury.

Total and permanent disability insurance provides a lump sum payment if you suffer a sickness or injury and are permanently unable to work. This will assist you to pay the additional expenses, both now and going forward, that arise as a result of a severe sickness or injury.

Trauma insurance provides a lump sum payment if you suffer one of a list of major medical traumas. This will assist you to obtain the best medical and rehabilitation care and also change your lifestyle if you wish.

None of the insurances listed provide the same type of protection as income protection insurance.

What are the alternatives?

Is this insurance I HAVE to have or are there some viable alternatives?

Family and friends?

Maybe you could call on family or friends to assist you but then again they have their own obligations and financial concerns. Also, it is not easy to ask others for financial assistance in this way.

Savings?

If you have some money saved you may be able to use that in the short-term to support yourself and your family but problems arise if your savings are not readily accessible. Also what if your incapacity is longer term?

Employer?

You may be a valuable employee but your employer is hardly going to be able to continue paying you while you are not working and also pay for finding, training and retaining a replacement for you.

Government benefits?

If your injury or sickness is work-related, workers' compensation will help to a limited extent. The benefit level is however, hardly going to be sufficient and what if the sickness or injury is not work-related?

Social security may be available but the eligibility criteria are very stringent and means tested. Also, once again, the benefit levels are hardly likely to be sufficient.

At Genesys, we want you to get the most out of life so you can take advantage of any opportunity and be prepared for any challenge — that's what wealth advice is all about.

For more information on the services offered by Genesys Wealth Advisers, please contact us on 1800 066 577.

ABN: 20 060 778 216 AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 232686 PRINCIPAL MEMBER OF THE FPA

© Genesys Wealth Advisers Limited 2005