



## Protecting your income

How does income protection insurance work and what is its value?

Anybody who relies on an income can have their investment plans and their lifestyles derailed by an unexpected absence from work. Income protection insurance can help to cover against such damage by providing cash flow during a prolonged period of illness or injury.

In its most basic form, an income protection insurance policy can help you to receive a percentage of your income for an agreed time period in the event that you must stop work or you can only work in a reduced capacity due to injury or illness.

The income percentage covered in a typical policy is up to 75%. The agreed time period of benefit payments can vary broadly. A benefit period can be chosen of two years, five years, to age 60 or age 65.

The 'waiting period' before benefits begin – commonly 30 days to 90 days – can also be chosen in order to customise the cover and the premium. This means that if a person has a certain amount of annual leave or sick leave accrued, they may decide to reduce premiums by delaying insurance payouts until those other sources of income have run their course.

Premiums are generally tax deductible which make it beneficial to hold the policy in the individuals name but many super funds also offer income protection insurance. Importantly, speak with your financial adviser, to ensure your insurance suits your needs, and to determine whether it is more appropriate to be set up within or outside superannuation.



## Case study

Wendy is a single mother who works in an office. Her income is important for paying her mortgage, supporting her young son and investing for the future. After a discussion with her financial adviser she decides she would like the maximum income protection cover the chosen policy offers – 75% of her current income until the age of 65. Her adviser recommends, in order to keep her premiums lower, that she investigates the amount of leave she has accrued. This adds up to two weeks of annual leave plus 10 days of sick leave. She also has an emergency savings fund that could cover her living costs for up to two months. By stretching her waiting period out from 30 days to 90 days, her premiums are reduced.

## Speak to us for more information

If you would like to know more, talk to your Count financial adviser. They can give you more detailed information on the best approach for your situation.

## Important information