

INCOME PROTECTION INSURANCE

Why Income Protection Insurance?

Generally, most people think of insurance for:

- House and contents
- Motor vehicle
- Travel insurance

Most of us recognise the importance of protecting the assets we have accumulated over the years.

Few people consider the biggest asset of all – the ability to work. Your income that enables you to own a house, maintain a car and take holidays.

Your most valuable asset

Your ability to earn an income is likely to be your biggest asset in life. A 30 year old with an average wage of \$60,000 can expect to earn over \$2,000,000 by the time they are 65.

It's worth thinking about what would happen to the assets you have built up and, more importantly, your family, if you were unable to earn an income. How would you pay for weekly expenses and bills, let alone mortgage repayments and school fees?

Hopefully, you have put away some funds to help tide you over. But how confident are you that your savings will last the distance?

Fortunately there is a way you can protect your biggest asset. Income protection insurance can provide you with up to a 75 per cent replacement income if you are unable to work due to illness or injury.

The benefits are yours to spend as you choose and premiums are tax deductible, reducing the overall cost of your insurance.

Will it Ever Happen to Me?

If you're lucky enough to be fit and healthy, then it's tempting to think that it will never happen to you. After all, no-one wants to focus on confronting issues such as illness or injury. But the unfortunate reality is that misfortune can strike at any age, when you least expect it.

In 2007-08 more than 51,000 people were hospitalised due to transport accidents, over one quarter of those were seriously injured and sustained life threatening injuries.¹ One in five stroke victims is aged under 55.² And just under half the population with an arthritis-associated disability are aged 15-64³

The best time to take out insurance is when you are in good

health. As you age, you can suffer health-related issues making it more difficult to obtain cover.

Dispelling the myths

Many people believe they are sufficiently covered elsewhere or that the government will step in. But your safety net may not be as robust as you think.

- **Sick leave entitlements:** Typically, salaried employees can accrue up to 1 to 2 months sick leave over 4 to 5 five years with an employer. However, this entitlement does not move with you when you change jobs, and a serious injury or accident may mean you are off work for much longer than your sick leave will cover.
- **Workers' compensation:** Covers illness and injury associated with the workplace but many serious accidents occur elsewhere, leaving those without cover vulnerable
- **Insurance in superannuation:** Superannuation plans may provide some insurance cover, but it is typically limited to death and permanent disability.
- **Private health cover:** Limited to medical expenses such as hospital stays and does not extend to general living expenses.
- **Social security payments:** Very restricted and unlikely to allow you to maintain your standard of living.

Income protection should be an integral part of your overall insurance needs, which can include life, trauma and total and permanent disability (TPD) cover.

AustAsia Group can assist to review your overall asset protection requirements, in conjunction with your retirement plans, and also what happens with your estate in the event of death.

¹ AIHW Injury Research and Statistics Series No. 56, 2007-08, www.nisu.flinders.edu.au

² National Stroke Foundation, 2010, www.strokefoundation.com.au/facts-figures-and-stats.

³ Australia's health 2008, Australian Institute of Health and Welfare, June 2008

How can AustAsia Group help you?



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