

## Income Protection Insurance

### Fact Sheet

**Income Protection insurance provides an income stream should you become unable to work due to an injury or sickness. Some would argue that income protection is one of the most important types of insurance.**

#### What is Income Protection insurance?

Income Protection insurance provides you with monthly payments should you become unable to work due to an injury or sickness. It is not a lump sum payment. The maximum amount you would receive is typically 75% of your gross salary. Premiums are generally tax deductible.

#### What are the cover choices?

There are a number of choices you can make on the type of cover. The claim benefit period (period over which benefit is paid), can vary from 2 years to age 65. You must also nominate a waiting period/excess before a claim will be paid, commonly 14, 30 or 90 days. Claiming benefits can be escalated in line with inflation.

#### Do I really need income protection insurance?

The choice of cover depends entirely on an individual's circumstances.

Your income is used to maintain a certain living standard and also to build wealth and provide for your retirement. Consider how well you could you survive without your income for a period of 12 months or longer. If you have dependents whose well-being relies on your income, or debt levels that require ongoing servicing, we recommend considering income protection insurance.

Unlike Trauma insurance, Income Protection does not specify a list of accepted conditions. Therefore greater coverage is provided, particularly for temporary illnesses such as back injury and stress related illnesses.

#### How much cover can I purchase?

The maximum amount of cover you can purchase is usually limited to:

- + If you are employed: 75% of your current gross income (including employer superannuation contributions and packaged fringe benefits)
- + If you are self employed: 75% of the income generated by the business due to your personal exertion less your share of expenses.

A lower percentage of income may apply above certain income limits eg \$250,000, and overall maximum levels of monthly benefit sum insured will apply. The insurer may request financial evidence of your income including tax returns over the last 12 months upon application or claim.

#### Premiums are tax deductible

Unlike other forms of personal risk insurance, Income Protection premiums are tax deductible for most taxpayers. The after tax cost of the cover can therefore be significantly less than the cost of the premium.

**Please contact Lianne Carey at Accru Financial Planning on 02 8226 1655 or email [lcarey@accrusyd.com.au](mailto:lcarey@accrusyd.com.au) if you would like to find out more about Income Protection Insurance.**