

INCOME PROTECTION INSURANCE

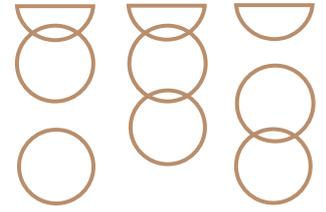
Income protection insurance provides ongoing financial support in the form of income payments if you become unable to work due to illness or injury.



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Disclaimer: The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

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Benefits

Income protection coverage provides valuable advantages, including:

1. **Safeguarding Your Lifestyle:** By replacing your lost income, it ensures you can maintain your current standard of living and meet essential expenses and debt obligations.
2. **Preserving Your Wealth:** It helps avoid the necessity of selling assets to generate cash, safeguarding your financial stability.
3. **Reducing Dependency:** Without insurance, you might have to deplete your savings, liquidate assets, or rely on family support or government assistance like Centrelink. This can add significant stress to your recovery process.

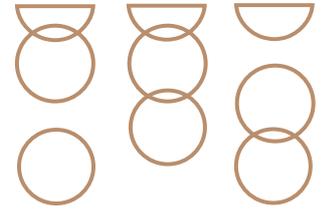
How it works

Income protection insurance functions by offering financial support if you're temporarily unable to work due to illness, injury, or total/partial disability. For business owners, this coverage pertains to income after business expenses but before taxes. Additionally, you may have the option to receive extra contributions in your superannuation account and access ancillary benefits to aid your recovery.

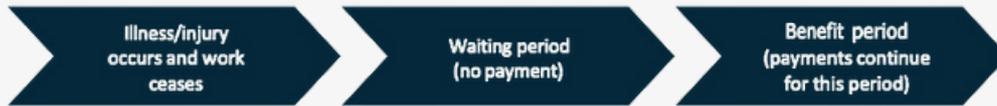
While the income from this insurance is taxable, taxes might not be deducted from each payment. Therefore, it's advisable to seek tax guidance and set aside funds for tax obligations. If paid through a superannuation fund, taxes are typically withheld from each payment to facilitate this responsibility. Note that the amount you receive may be adjusted if you also receive payments from sources like sick leave, social security, workers' compensation, or other legislative avenues.

Waiting and Benefit periods

Upon a successful claim, benefit payments do not commence immediately. A waiting period is applicable during which no benefits are disbursed. This waiting period can range from as short as 14 days to as long as two years. When selecting a waiting period, it's crucial to consider any sick leave or related benefits provided by your employer. Shorter waiting periods result in higher premiums.



The benefit period denotes the maximum duration for which payments will continue. Various benefit periods are available, with some as brief as one year and others extending until your 65th or 70th birthday. Generally, longer benefit periods entail higher premiums.



Policy Ownership

Income Protection Insurance can be held under two ownership structures: individual (self-ownership) or within your superannuation fund.

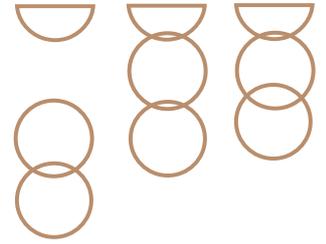
Self-Ownership: When you own the policy in your own name, you have the flexibility to customise the coverage to align with your specific needs. This allows you to obtain more comprehensive benefits and ancillary perks. With self-owned coverage, you are responsible for paying the premiums from your own cashflow. These premiums are tax-deductible for you, and any benefits received upon a successful claim are considered taxable income, subject to taxation at your marginal tax rate.

Superannuation Ownership: Alternatively, you can purchase your coverage through your superannuation fund. This arrangement permits the premium to be funded by contributions to your superannuation or deducted directly from your superannuation account balance, thus not impacting your regular cashflow. The premium is recognised as a deductible expense for your superannuation fund, potentially reducing the tax liability on contributions and investment returns. The benefits you receive will depend on the specifics of your superannuation fund.

Optional Benefits

Income Protection policies may offer valuable optional features, including:

- An Increasing Claims option that adjusts benefit payments in line with inflation.
- A Superannuation Cover option that allows additional contributions to your superannuation fund beyond your salary cover.
- Other ancillary benefits and rehabilitation support.



Key Considerations

When evaluating income protection insurance, take into account the following factors:

- Funding premiums from your superannuation balance can affect the growth of your retirement savings unless you offset them with additional contributions, which may have contribution caps.
- Benefit payments are typically paid in arrears on a monthly basis, with the first payment received one month after the waiting period ends.
- Benefits may be excluded if sickness or injury results from war, self-inflicted actions, or uncomplicated pregnancy.
- Thoroughly review the Product Disclosure Statement (PDS) and policy document for your chosen insurance policy and keep these documents in a secure location.
- As of April 1, 2020, agreed value policies are no longer available, but indemnity value policies can still be purchased from insurers.
- Indemnity contracts generally cover you based on your earnings in the 12 months preceding a claim. Any salary changes since policy inception will be considered.
- Agreed value policies provide benefits based on the agreed value at the time of application, rather than your current earnings at the time of a claim. Existing agreed value policies remain as such until you opt for a new contract. Seek financial advice if you're uncertain about the suitability of your policy for your specific financial needs, objectives, and circumstances.

References

You may wish to refer to the following websites for further information about income protection insurance:

- www.moneysmart.gov.au
- www.ato.gov.au
- www.serviceaustralia.gov.au