

# Income Protection Insurance

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 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.

## October 2011

*The information contained in this Business Guide is not exhaustive and is based on conditions prevailing at the time of publication. Users are advised to consult professionals before taking any formal action. While all reasonable care has been taken in the preparation of the publication, we do not accept any responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however, caused, or sustained by any person that relies on it.*

*Note: This information is of a general nature only and is not intended to be relied upon, nor to be a substitute for, specific professional advice. Also as changes in legislation may occur quickly we recommend that our formal advice be sought before acting in any of the above areas.*

[www.kellypartners.com.au](http://www.kellypartners.com.au)



Chartered Accountant



GOVERNANCE OF EXCELLENCE

Kelly Partners (North Sydney) Pty Ltd ABN 94 119 966 933 Level 4 / 73 Walker Street (PO Box 1764) North Sydney NSW 2059 T 02 9923 0800 F 02 9923 0888  
Kelly Partners (South West Sydney) Pty Ltd ABN 17 150 234 138 Suites 1-8 Kellicar Lane Macarthur Square, 200 Gilchrist Dr (PO Box 417) Campbelltown NSW 2560 T 02 4625 7711 F 02 4628 4364  
Kelly Partners (Western Sydney) Pty Ltd ABN 66 059 148 319 Suite 7/112 Tindale Street (PO Box 878) Penrith NSW 2751 T 02 4721 7433 F 02 4721 7434  
Kelly Partners (Norwest) Pty Ltd ABN 78 154 335 949 Suite 1G Macarthur Point, 25 Solent Cct, Norwest Business Park (PO Box 7084) Baulkham Hills DC NSW 2153 T 02 8852 5400 F 02 8852 5454  
Kelly Partners (Central Coast) Pty Ltd ABN 51 118 966 331 Suite 2.06 Platinum Building, 4 Ilya Avenue (PO Box 3616) Erina NSW 2250 T 02 4367 6630 F 02 4367 6632

[info@kellypartners.com.au](mailto:info@kellypartners.com.au) LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION