

Do I need income protection?



Your ability to earn an income is your most valuable asset. Your lifestyle depends on it. If an accident or illness prevented you from working, how would you cope financially?

Most people wouldn't drive without car insurance, or live in their house without home and contents insurance. Yet most Australians don't consider protecting their ability to earn an income.

The risks

- 2.6 million Australians aged under 65 are living with a physical disability.ⁱ
- Australians have a one in three chance of being diagnosed with cancer before age 75.ⁱⁱ
- 690,000 Australians were injured at work between 2005 – 2006, with 43% not receiving any financial assistance.ⁱⁱⁱ
- More than 60% of Australians will be disabled for more than one month during their working life.^{iv}
- More than 25% of Australians will be disabled for more than three months during their working life.^v

The reality

Without an income, mounting debts can cause additional stress. How long could you afford to cover your expenses, without completely draining any savings safety net?

A health setback doesn't have to affect your financial wellbeing. Income protection will compensate you for any time taken off work.

Still, many Australians don't take out insurance protection because of some common misconceptions.

"I'll be covered under Workers Compensation"

Workers Compensation is limited. It only applies if you are injured during working hours or for illness directly resulting from your employment. If you're self-employed, you may not even have this cover.

"I can't afford it"

Income Protection premiums are tax deductible and can cost less than \$4 per day.^{vi}

What is income protection?

Income protection pays up to 75% of your income if you are ill or injured. This money can help you and your family manage your living expenses while you recover.

What are the cover features?

Here are just some of the features you can expect with income protection:

- **Tax deductible premiums:** Your premiums are generally tax deductible, allowing cover to be very affordable.
- **Partial payments:** If you're able to return to work part-time, you can receive a partial monthly payment to support your transition back to full time employment.
- **Additional benefits:** A range of additional benefits let you tailor the cover to suit your needs.

What are the cover options?

Here are just some of the options you can expect with income protection:

- **'Agreed value' or 'Indemnity':** 'Agreed value' will pay the predetermined sum insured no matter what your income at time of claim. Meanwhile, 'Indemnity' cover will pay the lesser of your sum insured or income at time of claim.
- **A choice of waiting periods:** Choose how long you will wait, in the event of a claim, before you receive benefit payments – generally this is for 2, 4, 8, 13, 26, 52 or 104 weeks.
- **Benefit periods:** The benefit payment period can generally be for one, two or five years or to age 65 or 70.
- **Extra options:** For instance, superannuation cover will cover your super contributions in the event of a claim.
- **Inside or outside super:** You may be able to hold your Income Protection Cover inside super and pay premiums using pre-tax dollars. There are often restrictions however, so it's important you talk to your financial adviser.
- **Choice of premium options:** 'Stepped' premiums increase each year in line with your age, while 'Level' premiums remain constant until an age specified by your insurance provider (at this point, they convert to Stepped).

What do the payments protect?

A monthly benefit could help you stay on top of debts, pay for medical bills and generally give you the means to maintain a reasonable standard of living if you're not able to earn an income.

- **Mortgage repayments**
Whatever happens, there will be funds available to safeguard the family home.

- **Day-to-day expenses**

Everyday bills can really add up. Without the ability to earn, this money can help cover living expenses like food, utility payments, clothing and schooling.

- **School fees**

With continued income, you can continue to afford to send your children to the school of your choice.

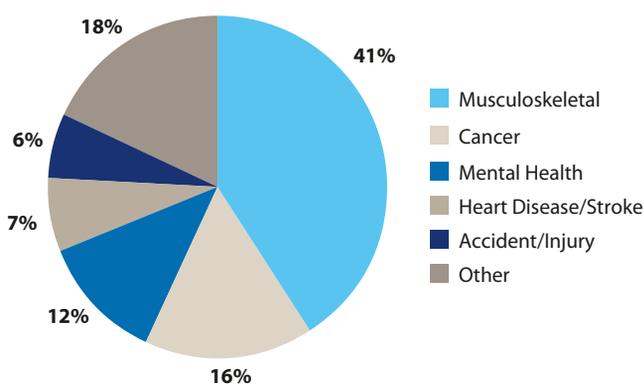
- **Additional care**

Disabilities often incur the need for additional care or help around the house. Ongoing income can help to cover this.

- **Rehabilitation**

Rehabilitation is often required to support your transition back to work. Ongoing income will help you to afford this.

Causes of claim



Source: TAL Life Limited (2011)^{vii}

How do I get protected?

Contact Sequoia Asset Management today and find out how we can help you tailor the right level of cover for your needs.

For more information and to obtain an income protection quote, talk to a Sequoia Adviser on 02 8114 2222 today.

i AIHW (2008) *Australia's health 2008*, Cat. no. AUS 99, Canberra

ii AIHW (2008) *Cancer in Australia: an overview 2008*, Cancer series no. 46, Cat. no. CAN 42, Canberra

iii ABS (2007) *Australian Social Trends 2007*, Cat. no. 4102.0, Canberra

iv Fabrizio, E (2007) *Australia & NZ Disability Income Experience* www.actuaries.org/IAAHS/Colloquia/Cape_Town/Walker_-_Income_protection.pdf

v AIHW (2008) *Cancer in Australia: an overview 2008*, Cancer series no. 46, Cat. no. CAN 42, Canberra

vi Based on TAL's Accelerated Protection, \$2000 monthly benefit, 1 year waiting period, Age 65 benefit period

vii The figures shown represent actual claims paid by TAL from 1 January 2011 to 31 December 2011 across all TAL products.



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