

Fact Sheet - Personal Insurance

Income Protection

Income protection insurance covers your greatest asset, You! An income protection plan will pay a regular income if you are unable to work because of sickness or injury. Whether the disability is as serious as cancer or as minor as a broken arm, income protection provides a simple, cost-effective safety net. Income protection is particularly important for the self-employed, who cannot rely on short-term sick leave from an employer.

Most of us rely on our income to pay the mortgage or rent, keep ourselves and our families clothed and fed, and maintain a comfortable standard of living. So protecting our ability to earn an income should be a high priority. Yet while most of us are aware of the importance of insuring our homes and possessions, we often ignore protecting our income.

How much insurance do I need?

Most policies will cover you up to 75 per cent of your salary, plus they also allow for an additional 10% cover for your superannuation contributions (however this amount goes directly into your super). In most instances the premiums are tax deductible and the annual premiums can be claimed in your personal tax return.

The waiting period is defined at the time between you make a claim and the payment of your Income protection benefit, generally speaking the waiting period can vary from 14 days up to two years. The longer the waiting period, the lower the premiums, the benefit period is the length of time you will receive a monthly benefit, most policies can provide cover for you until age 65 while some will go to 70.

Trauma / Crisis Cover

A serious illness, such as cancer, a stroke or a heart attack, can strike at any time, causing physical and emotional trauma. While modern medicine can provide many people with a good chance of recovery, the financial consequences of a serious illness can be devastating. Unfortunately, bills don't stop coming just because you're ill.

For those recovering from an illness and facing a lengthy period of recuperation, there is often the financial burden of medical bills and expenses, the ongoing costs of rehabilitation and care, possible modifications to the home and even forced early retirement. Few people have the necessary savings to pay all these expenses or to manage without a regular income. Trauma insurance can help you cope financially with the impact of a disability, illness or injury. It is paid as a lump sum and can be used to pay for changes to your lifestyle or for care required as a result of the trauma.

How much insurance do I need?

There is no right or wrong answer to this question. What is important is that you understand how to calculate the amount of insurance that is right for you. Following a traumatic event, an adequate level of insurance will allow you to pay off the mortgage and other debts, provide for your children's education and allow you and your family to maintain your current lifestyle.

Life Insurance

A life insurance plan provides financial assistance in the form of a lump sum to your family or other dependents in the event of your death. The proceeds can be used to meet your family's outstanding commitments, such as the mortgage on the family home, pay off any existing debts / mortgages so as to maintain your family's standard of living. Your life insurance policy can be set up so that the premiums are paid for by your superannuation fund.

Total & Permanent Disability

Total and permanent disability (TPD) insurance covers you if you cannot work due to a total and permanent disability and need to adjust your lifestyle accordingly. Many TPD policies pay a lump-sum benefit after the insured has been totally and permanently disabled for a set period, such as six months. The policy can be set up so that the premiums are paid for by your super fund.

Business Expense Insurance

Business expenses insurance covers your business against fixed costs like rent, outgoings, lease arrangements and non-income producing employees' salaries, interest on business loans and insurance premiums should you suffer a serious sickness or injury.

The plan can cover you for up to 100 per cent of your eligible fixed expenses while you are unable to work due to sickness or injury. The benefit period is a maximum of 12 months, with a varying waiting period and monthly benefit depending on your occupation.

Where to from here

Building wealth is one thing. Protecting your most important investment, which is you and your family is crucial and overlooked by many.

If you would like further information on insurance and how it affects you, please contact **Tony Rimalc from PT Wealth Solutions on 9891 1544 or tony@ptws.com.au**, who can assist by providing you with the correct insurance advice.